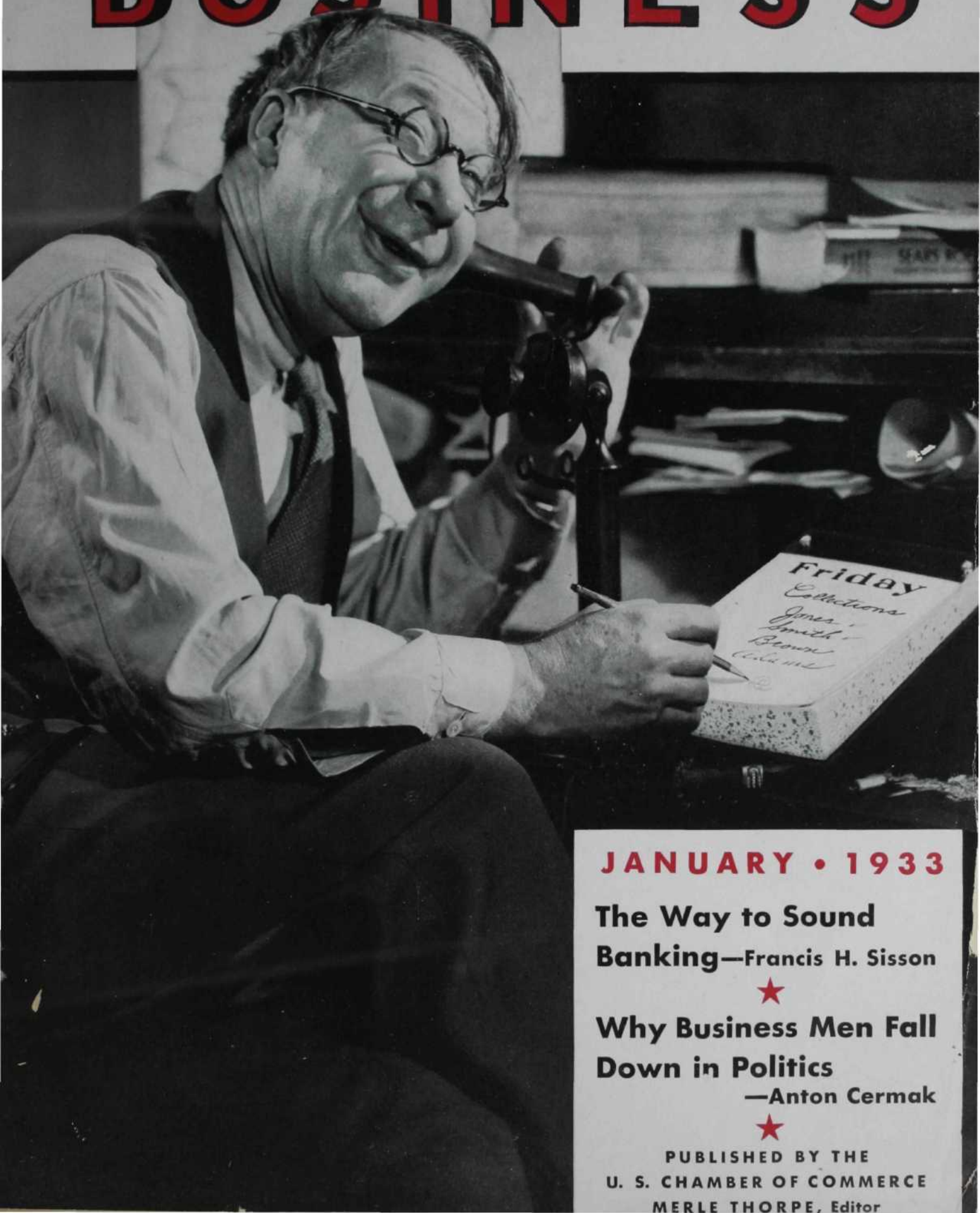


NATION'S BUSINESS



JANUARY • 1933

**The Way to Sound
Banking—Francis H. Sisson**



**Why Business Men Fall
Down in Politics**

—Anton Cermak



**PUBLISHED BY THE
U. S. CHAMBER OF COMMERCE
MERLE THORPE, Editor**

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of the Youngstown Sheet and Tube Company is aided by

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IT makes no difference if your carefully laid plans for saving have been upset by the depression. It makes no difference if you are worth half as much today as you were in 1929.

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years from today with a monthly income guaranteed to you for life. Not only that, but if something should happen to you before that time, we would pay your wife a monthly income for life. Or, if you should be disabled, and were unable to continue your payments, we would make them for you, and pay you a disability income besides!

\$250 a Month beginning at age 55

Suppose you decide to retire on \$250 a month beginning at age 55. Here is what you get:

1. A check for \$250 when you reach 55 and a check for \$250 every month thereafter as long as you live.
2. A life income for your wife if you die before age 55.
3. A monthly disability income for yourself if before retirement age serious illness or accident stops your earning power for good.

It sounds too good to be true. But it isn't. There are no "catches" in it, for the plan is guaranteed by an 80-year-old company with \$600,000,000 insurance in force. If you are in good

physical trim, and are willing to lay aside a modest portion of your income every month, you can have freedom from money worries and you can have all the joys of recreation or travel when the time comes at which every man wants them most.

The Plan is not limited to men of 40. You may be older or younger. The income is not limited to \$250 a month. It can be more or less. And you can retire at any of the following ages you wish: 55, 60, 65, or 70.

How much does it cost? When we know your exact age, we shall be glad to tell you. In the long run, the Plan will probably cost nothing, because, in most cases, every cent and

more comes back to you at retirement age.

Write your date of birth in the coupon below and mail it today. You will receive, without cost or obligation, a copy of the interesting illustrated booklet shown above. It tells all about the new Phoenix Mutual Retirement Income Plan. Send for your copy of the booklet now. The coupon is for your convenience.



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A Long-Lived, Coordinated Truck Unit for Light Line Construction

Pictured here is the International 6-Cylinder Model A-3 in action. The chassis will actually last as long as the body and equipment. Even when loaded with construction equipment and a gang of men, it's well within its rated capacity. Full floating rear axle. Four speeds forward, propeller shaft take-off. Full power of engine available at winch which has 4 forward and 4 reverse speeds. Derrick will handle poles up to 45 feet.

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INTERNATIONAL TRUCKS

When visiting an INTERNATIONAL TRUCK dealer please mention Nation's Business



Through the EDITOR'S SPECS

Our new type dress

NATION'S BUSINESS enters 1933 with an entirely new typographic dress. Lester Douglas, director of art and typography, in announcing the new design of NATION'S BUSINESS, says:

These are sobering, correcting days for business. The roaring tempo of the years 1928, '29 and '30, with its characteristic blatant tempo, has modulated to a new tempo, a new attitude of progressive self-assurance.

To catch this change and symbolize it in design and typographic format for the ever-progressive NATION'S BUSINESS, is the aim of our new type raiment.

This new type for NATION'S BUSINESS display is Goudy Modern, an individual and spirited letter designed by Frederic W. Goudy, America's greatest type designer.

And our new cover

ACCOMPANYING the new type dress comes a new series of photographic covers. Sometimes they will be grave and sometimes gay but each is intended to depict the emotions—the laughs, the heartaches, stubbornness, kindness and all the other human qualities that enter into daily business life.

The present cover is on the lighter side. We hope it may give you a chuckle. And yet we wonder if thousands of business men will not sympathize with this harassed old-school business man who is attempting to wheedle a few dollars out of delinquent customers to meet his pay roll.

The photographer of the cover (and the January model) is Lejaren á Hiller of New York.

The plan of 2,300

SINCE we hang on the words of the leader who proposes a plan for economic revival,

NATION'S BUSINESS

VOLUME 21



NUMBER 1

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Completely Air-Conditioned
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The George Washington has a *genuine* air-conditioning system which keeps out dust, dirt, and cinders. It circulates fresh, live air in every car, day and night, at just the right temperature for comfort. Sound, restful sleep is assured. Your clothes—and you—remain clean!

The air-conditioning feature is only one of several advantages which passengers on The George Washington enjoy. There is delicious cooking—served, at 1932 prices, in restaurant cars of pleasant, restful atmosphere. There are luxurious observation lounges, and Free Chair Cars (Imperial Salon type). And there is telephone service while in the stations. If you would ride in comfort that is *new* to railroading, use The George Washington. No extra fare.

WESTWARD (Read down)

6:01 PM Lv. Washington	(EST) Ar. 8:30 AM
8:45 AM Ar. Cincinnati	Lv. 6:01 PM
10:50 AM Ar. Louisville	(CST) Lv. 1:30 PM
10:45 AM Ar. Indianapolis (Big Four Ry.)	Lv. 2:10 PM
3:00 PM Ar. Chicago	Lv. 10:05 AM
4:45 PM Ar. St. Louis	Lv. 9:04 AM

EASTWARD (Read up)

CHESAPEAKE and OHIO

a program evolved by 2,300 men ought to be worth a glance.

We ask new subscribers of NATION'S BUSINESS what measures they feel are most likely to promote business recovery. It helps us to keep the editorial sights in constant focus. Of those replying in November, 1849 (79.6 percent) nominated "government economies" as the single most constructive step. Next in importance among ten issues listed was the kindred measure, "readjusted taxation" with 1,516 votes (65.2 percent). Then a sharp drop in interest down to "strengthened banking system" with 998, and "revision of the Eighteenth Amendment" with 957.

Only a mere 2%

THE president of a company which is among the country's largest in number of retail outlets and in volume of sales, recently was asked why he was making such a strong fight against a two per cent sales tax in a particular state. "You know very well," he was told, "that two per cent will not make or break you. Why all the fuss?" "You are right," he said. "It will not break us. But I don't like to think of what it will do to some of our employees. We have one of the largest turnovers in the country on capital employed. That means more sales on which taxes can be spread than most businesses have. Yet last year, of every dollar taken in at the counter, nearly seven cents went to taxes. Only ten cents went to wages and salaries. Two cents more of taxes is equivalent to the wages of one clerk out of five.

"Passing on such a tax is impossible on nearly all of thousands of different items we sell, because the unit sale is too small. But a two-cent tax will make it impossible for us to handle a number of lines for whose manufacturers we now are the largest customers. A tax on us in the State of— can force a manufacturer in New York, or perhaps in that very same state, to find a new market for the bulk of his product or to close up.

"If that is not convincing, try to figure out how long we will continue items in our stock on which the margin of net profit is much less than two per cent, in the event that a two per cent tax is levied."

When was this?

I'D HAD a talk with the Permanent Pessimist the other day and he'd ladled out gloom and grief to me for an hour.

That evening I settled down to read and was half way through the first volume of Burton E. Hendrick's *Life of Andrew Carnegie*, when I ran across this:

One day America was joyous with riches, and then, without the slightest warning, came the crash, and the nation was a heap of financial ruins. Bank after bank put up its shutters, and despairing queues before their entrances became the commonest sights in American cities. Railroad after railroad confessed bankruptcy. One factory after another dismissed its workers, frequently with unpaid wages.

The stocks and bonds which had ascended to dizzy heights in the early months of 1873 now fell to depths which beggared millions. The New York Stock Exchange suspended operations for a

YOU...

Guardian of Business Sanity



SOME of your business problems you bring upon yourself. And you must depend on your own initiative and action to solve them.

But most of your business problems grow out of *bigger problems*—nation-wide, world-wide. War debts, for instance, are miles away from your own cash register. Nevertheless they produce conditions that keep your register from ringing.

The same is true of the farm situation, federal bank legislation, foreclosure of mortgages, unemployment, railroad financing, high taxes, government competition with private business. Such things bewilder whole communities, hamper trade, undermine confidence, smash commodity prices. Sooner or later, they end up at your business door, no matter where you are.

IN OUR scheme of things, we must depend upon public opinion to solve these *bigger problems*. Unfortunately there are two kinds of public opinion—inflamed, impulsive opinion which gives us nostrums and regrets; and *informed public opinion* built up by the logical, step-by-step process of allowing individuals to look at facts, reach their own opinions, and then merge their views with those of their neighbors. Only in this way can we get the sort of action that will reach the deep-seated causes of economic trouble.

PUBLIC OPINION is merely *you* raised to the nth power. Five men discussing war debts in a

golf-club locker room are forming public opinion just as surely as a national political convention.

You and your employees, or you and your employer, studying the six-hour day and five-day week in your shop or office, are forming public opinion and translating it into action, just as surely as all the Banking and Industrial Committees of all the Federal Reserve Banks, solemnly convened in Washington.

How are your views tending to shape public opinion? In your office, among your luncheon cronies, over the bridge table, in your club, are your views helping build a public opinion based on *facts*, or a public opinion based on emotion? Toward right action, or toward hasty excited bungling? After all, you are going to decide these bigger problems, for better or for worse.

THAT is where NATION'S BUSINESS comes in. It sifts ten thousand headlines to get the residue of facts that count, and to give them to you in balanced perspective. Its job is to put into logical relation the problems which affect all business—your own included. It is your ally, a source of power to you.

To keep informed as to the real causes of business problems, the significant developments in dealing with them—and, above all, to be sure that your force moves public opinion in wise directions—read NATION'S BUSINESS.

Alert advertisers use NATION'S BUSINESS. If you would have influential business men think well of your product—your motor car, shoes or shaving cream, put the facts before them through NATION'S BUSINESS. Then favorable public opinion will move in your direction.

NATION'S BUSINESS



*Portable as your hat—
fits in a desk drawer!*



Only \$ **75**

Remington portable adding machine with new features

NEVER before so much adding machine for so little money. Thirteen "big machine" features! A genuine Remington that adds, lists, multiplies—yet takes up less room on counter or desk top than an ordinary letter-head. Unheard-of light weight—only 11 pounds—carry it one handed, with ease.

*Features that make this
"every business man's machine"*

1. Weighs only 11 pounds.
2. Fits in a desk drawer.
3. Lists and adds.
4. Multiplies simply.
5. Capacity up to \$10,000,000.00.
6. Visible adding dials.

7. Speedy 10-key keyboard.
8. Convenient correction key.
9. Release key.
10. Non-add key.
11. Light, fast handle pull.
12. Automatic ribbon reverse.
13. Five and one-half inch carriage.

Free trial—mail coupon today!

Real value in adding machines! Another model without release or non-add key, is only \$65! Try these new Remington Portable Adding and Listing machines in your own office, store or home—free. Mail the coupon to Remington Rand, Inc., Buffalo, N. Y. Or phone your local branch office.

\$10 down... mail coupon today

ACCOUNTING MACHINE DIVISION,
REMINGTON RAND INC., BUFFALO, N. Y.

Please send me complete descriptive material on your new portable adding machine. I am interested in a free trial of the ☐ \$65 machine ☐ \$75 machine.

Name _____

Address _____

When phoning or writing a REMINGTON RAND office please mention Nation's Business

week. Money passed out of circulation, those fortunate enough to possess a little feverishly hoarding it.

Since the rich could not collect the interest on their investments, they could not pay their bills, while the sufferings of the poor proved an unprecedented tax upon public and private philanthropy. The busiest citizens were sheriffs, levying on property, and auctioneers, sacrificing equities for any prices they would bring.

I said to myself: That might have been written yesterday instead of 60 years ago. Men in those days kept their faith, their hope and their courage and pulled through to bigger things. Has humanity changed so much in 60 years that faith, hope and courage will not win again?

Two little points

"FROM 1873 to 1879 you couldn't give away a rolling mill."

Yet that was the time when Carnegie went ahead building the great Edgar Thomson Steel Works, a time when he sold his Pullman stock (he had been the largest stockholder) to put the proceeds into steel. Testifying before the Stanley Committee of the House of Representatives, William C. Temple, Commissioner of the Steel Plate Association, said of Carnegie:

Mr. Carnegie realized that the real time to extend your operations was when nobody else was doing it. Whenever there would come a boom in the steel trade most manufacturers would start in and build new steel works. They would have to pay the very highest prices for the materials that entered into these constructions on account of the boom times, and about the time they were ready to operate the bloom was off the peach and the works would have to close down.

Capturing Pullman

ONE more bit of the book and I'm through. Carnegie was active in the Woodruff sleeping car business when George M. Pullman appeared on the horizon. They met in a New York hotel when both were trying to sell their product to the Union Pacific.

"We're both fools," said Carnegie in effect. "Why compete when we can combine." Years later Carnegie wrote:

George M. Pullman was as great a genius in organization and administration as Woodruff was in his peculiar line. . . . I soon saw that he had a genius to deal with and advised the old concern to capture Mr. Pullman. There was a capture but it didn't quite take that form. They found themselves swallowed by this ogre, and Pullman monopolized everything. The man had arisen who could manage and the tools belonged to him.

Paying power

NO LONGER can it be said that only merchants have wondered why there was no national "pay your bills week." The United States Junior Chamber of Commerce believes the time is ripe to revive the old-fashioned notion that "a merchant is primarily a distributor of goods and not a banker carrying families." The trouble, the young business men believe, is rooted in

loose credit methods and the lack of any organized domestic accounting system.

It is the Junior Chamber's hope that its experimental campaigns in Illinois, Indiana, and Wisconsin will help to induce a substantial volume of buying and saving. These educational demonstrations are reaching their climax this month with emphasis on balancing the family budget.

Back of the picture

GET your chuckle from Artist Charles Dunn's conception on page 30 of the slaughter-house operated by the War Department, and then turn back here. Our interest in it—and in next month's interpretation of the Architect's Office in the Treasury Department—is only partly in the direct loss of business which private enterprises suffer from these activities.

Nor are we overwrought about the \$50,000 or \$100,000 a year which the tax-payer must provide for a Navy dairy farm or an Army abattoir to balance accounts in which entries for interest, taxes, rent, depreciation, and sometimes even personnel, are largely unknown.

No, the gravest damage is elsewhere, in the losses which come indirectly from demoralization of normal business relationships and accepted trade standards. Dig down into today's troubles in banking, marketing of farm products, mortgage loan financing, investment banking, or in a hundred manufacturing and distributing lines. At some vital point in each you will encounter the paralysis which results from the entrance of a governmental competitor financed with enormous capital, uninfluenced by staggering losses, responsible to no hard-boiled directorate, and contemptuous of tests of ordinary commercial prudence.

About 45,000 Chevrolets

TWO magnificent contributions to the steadily mounting body of evidence demonstrating the economic destruction wrought by insupportably high taxes were *Iron Age's* articles by A. I. Findley and Dr. Lionel D. Edie in the November issue.

Said Findley: Bethlehem Steel's taxes today are the same as the wages of 10,000 men. Chevrolet abandoned a Wisconsin branch because the Wisconsin income tax would take the profit on 45,000 finished cars, more than the total production at that plant. U. S. Steel's 1931 taxes were \$4.56 for every ton of rolled and finished steel, the difference between a deficit of \$6,300,000 and \$39,500,000.

Said Edie: Balancing the budget this winter is vastly more important to industrialists than raising the tariff a little on light bulbs or steel, or than obtaining a small order for steel from a railroad which borrows some more money from the Reconstruction Finance Corporation.

What a relief

OUTSTANDING bureaucratic contribution of the month:

To the United States Food and Drug Administration we are indebted for the assurance that "tooth pastes and other dentifrices have only one important function: They clean the teeth."

M.T.



IN 90 LANGUAGES KELVINATOR

means the finest electric refrigeration



STARTING from the small, two story factory on West Fort Street in Detroit, Kelvinator, during the past 18 years, has grown to an institution with great modern plants in Detroit and Grand Rapids, Michigan, in London, Ontario, and London, England. From these plants Kelvinator has reached out to all parts of the world until to-day Kelvinator has come to mean the finest electric refrigeration in more than ninety civilized countries around the globe.

In the palaces of the Sultan of Morocco at Rabat and Fez. In a meat dealer's shop at isolated Red Lake, up in the Canadian wilds. In a mortuary in Mexico City. In the "Willemspark," the finest and most modern apartment house in the Netherlands. And in scores of other countries, Kelvinator equipment is upholding the Kelvinator tradition of quality and performance. More and more, in foreign countries as well as in the United States, Kelvinator is becoming Refrigeration Headquarters. And Kelvinator equipment is becoming the Standard of the World . . . KELVINATOR CORPORATION, 14244 Plymouth Road, Detroit, Michigan. Kelvinator of Canada, Ltd., London, Ontario. Kelvinator Limited, London, England.

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WATER COOLERS • MILK COOLERS • ICE
CREAM CABINETS • BEVERAGE COOLERS
TRUCK REFRIGERATION

And equipment for every business and industry using electric refrigeration.

(617)



You can locate the Kelvinator dealer in the Classified Section of your local Telephone Directory.

WHAT A TOLL TAXES TAKE!

TAXES TAKE HOMES



In a mid-western city, taxpayers refuse to pay the excessive city taxes levied. The city can't pay its employees... the employees can't pay their taxes... and now the city is threatening to sell their homes over their heads. Truly a vicious circle.

TAXES TAKE JOBS



In an eastern state, a large manufacturer of musical instruments, after losing his fight to have excessive taxes reduced, was forced to close his plant. And more than 1,000 men were added to the army of unemployed.

TAXES TAKE FARMS



Practically every newspaper carries ever-lengthening lists of farm properties offered at forced sale to cover delinquent taxes. Drive through the country and you will see one abandoned farm after another.

EVERYONE agrees that some taxes must be levied for the support of government in its proper functions. But, today, serious-minded citizens are viewing with alarm and apprehension the enormous increase in taxes—an increase out of all proportion to recent growth in population and income. In this year, 1932, when prices on every commodity and service have gone down—down—down—taxes have gone up—up—up.

The general public has gone along for years—taking little interest in taxes. Presumably they affected only the owners of real or personal property—so let those owners worry. But the taxes which everyone is now compelled to pay on gasoline, on cosmetics, on telephone calls and telegrams, on letters and checks (just to mention a few items), bring home the fact that taxes and their intelligent reduction are very much the concern of every man and woman in every city, county, and state in the United States.

We all know the story of the straw that broke the camel's back. And we are just beginning to wake up to the fact that the financial backs of business and individuals are perilously near that breaking point. Before long, the heavy burden of excessive taxes will kill initiative and prohibit capital from entering trade and commerce. The excessive taxes which are being levied to defray administration expenses of city, county, state, and national government are imperiling the future of America. It is estimated that more than 25 per cent of the national income this year will go for taxes. It is estimated that every five employees in commerce and industry support a sixth person who is on the public payroll.

1 Excessive taxes are undoubtedly one reason for the length of the depression.

2 Excessive taxes are the most serious obstacle to the return of prosperity.

Consider a few more examples of the toll taxes take: You have a right to feel that the three or four cents tax you have to pay

on every gallon of gasoline is heavy and excessive. It is. But in some places, the combined city, county, state, and government tax on gasoline is 11 cents a gallon. Think of it!

The principal railroads are paying almost sixty cents in taxes for every dollar of their net operating income. Stock Fire Insurance Companies have for years paid more than one dollar of taxes for each dollar of net underwriting profit. And so on—through all other legitimate businesses and industries—excessive taxes on the product of thrift and foresight are holding back the wheels of progress and the return of prosperity.

What can you do about it? As a public-minded citizen, put it up to government to do what you have done. Adjust itself to reduced income. Cut out all unnecessary expenses. Bring down the taxes—make fewer dollars go farther in government administration.

• • •

It looks as though this coming winter will be the critical point in United States tax history. With the Congress of the United States in session, and with state legislatures or assemblies convened in more than forty states, there is a marvelous opportunity for legislators, individually and as a group, to perform rare public service in curbing the Frankenstein monster of taxation which threatens the permanent prosperity of every person in the United States. We have implicit confidence that these duly chosen representatives will not fail in their trust to the public.

• • •

Because the relationship of Stock Company Fire Insurance is so close and friendly with that of business and commerce, farm and home, the National Board of Fire Underwriters is publishing this paid message in the public interest. The 216 stock companies which make up The National Board of Fire Underwriters earnestly urge you to write your local and national legislators, expressing your views on the tax situation.



A booklet, "Taxes—You Pay Them All"—has been prepared giving further information on this very important question. Write for your copy today.

THE NATIONAL BOARD OF FIRE UNDERWRITERS

NEW YORK—85 John St. • CHICAGO—222 West Adams St. • SAN FRANCISCO—Merchants Exchange Bldg.
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NATION'S BUSINESS



A MAGAZINE FOR BUSINESS MEN

The Forgotten Nation

✓ WE have been hearing a good deal recently about "the forgotten man," the lone individual, the little fellow who has no great tribunal to fend for him. There has been a more grievous oversight. What has been forgotten is the Nation.

No single New Year's resolution could the American people make to greater advantage than that of keeping the national interest the paramount issue of 1933.

The country is not challenged by the aggression of a foreign power. Internecine strife does not redden the heavens. No flood, no famine confounds. Plague and pestilence are strangers to these shores.

No, the call to patriotism lies in another direction. The national interest, our common heritage, is challenged by organized minorities, by self-seeking cliques and blocs, by special pleaders. Lip-service on the platform is to "E Pluribus Unum," but votes upon roll-call are for the aggrandizement of one of the many.

What price this aggressive selfishness! The mounting cost of the national Government, in treasury deficits, in the heavy burden of federal taxes, in the spread of bureaucracy, in the increasing barter of freedom for the dubious potage of paternalism.

An interdependent society like ours must maintain a sensitive equilibrium. The advantage of the few at the expense of the many destroys that delicate balance. Let discrimination become the rule, all eventually will feel the burden of discrimination.

Interpret the national interest by microscope rather than telescope, and specialized acquisitiveness becomes predatory and parasitical. In its rawest form it is known as pork. "Relief" is a softer word. Under these familiar labels local-

ism, sectionalism, and group consciousness have developed an insatiable megalomania for federal favor. Even the hard-run taxpayer is not proof against the allure of "gifts" from an impersonal munificence. The national interest has been lost in a national chorus petitioning government for more, bigger and better roads, parks, fish hatcheries, post offices, buildings, inland waterways, army posts, navy yards, inter-oceanic canals, irrigation projects, power dams, and more and better paid officeholders.

National feeling and national responsibility are sadly wanting. The deficiency is acute. Occasionally, when national-mindedness speaks out, as a keen political observer puts it

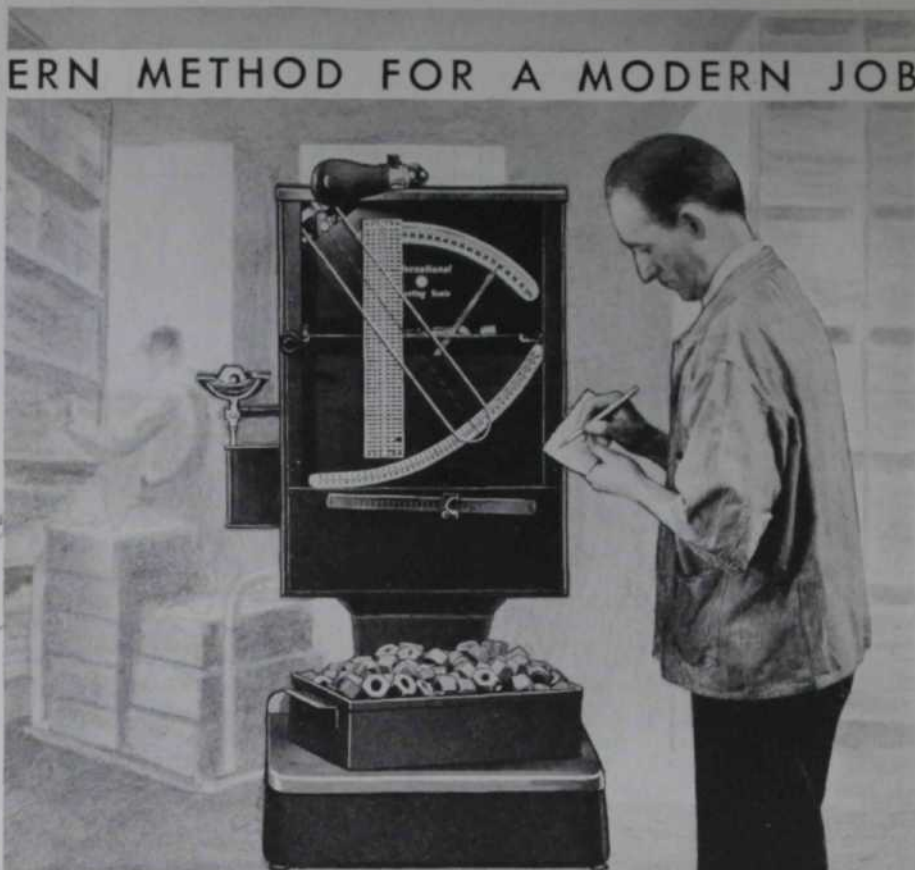
against every specific proposal to economize or to tax there are arrayed a collection of powerful interests. Thus, if Congress touches the debt service, it collides with the investing classes, and impairs the credit it is seeking to preserve. If it touches the veterans' payments, it collides with the soldiers' vote. If it touches government salaries, it collides with the officeholders who are the backbone of the party machine. If it touches subsidies, it collides with sectional and class interests.

How raise the common interest over the special interest? When citizens demand that their representatives courageously withstand local importunities, rise above clamor and pressure, see the nation whole and not in broken arcs of a circle, and consider the general welfare clause of the Constitution with emphasis upon the "general" rather than upon the "welfare."

If the individual be not resolved on this New Year's Day to escape from the serious delegation of his freedom, initiative, and private decision, "he concedes what injures both him to lose and the dispensing power to gain."

Merce Thorne

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Men, Not Laws, Make Sound Banks

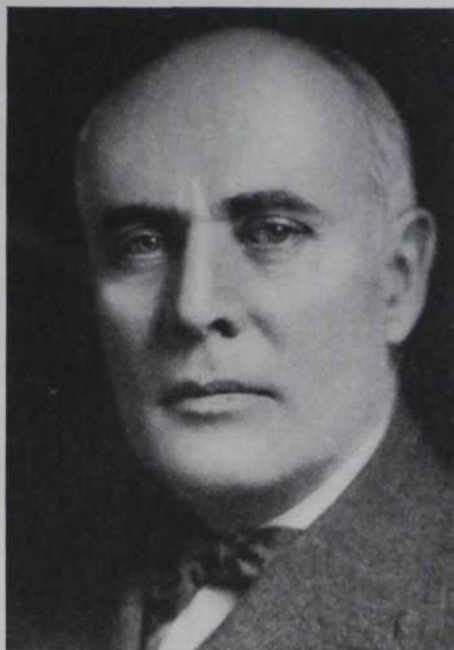
By FRANCIS H. SISSON President, American Bankers' Association

★ IT MIGHT be deemed too startling a proposition to suggest that what American banking needs most is the abolishment of special laws placing it under public regulation and supervision, rather than more statutes for its restriction and control such as have been proposed as a result of the depression. This suggestion is quite contrary to our American way of doing things. Nevertheless, I am convinced that, when all is said and done, the best and most effective regulator of business practice is not formal law but free competition because, in the long run, the success of business depends on the way it conducts itself relative to public welfare and desire.

It is my conviction that the many thousands of banks which remained sound and successful through this most difficult period of our peace-time history are a case in point. They continued to command public confidence and patronage not simply because they conformed to certain methods and practices prescribed by the laws, but because they conformed conscientiously to principles of sound public service, which are better business guides than any statute ever written.

On the other hand all the laws and public supervision with which banks are surrounded did not save the several thousand others that have succumbed to various abnormal as well as normal causes in recent years. These laws did not and could not fortify them against conditions, particularly during the last three years, so adverse as to overcome normally ample margins of strength and conservatism in management, nor did they correct the failure or inability to conform to sound principles of banking and public service.

In fact, some laws now on the statute books render sound banking more difficult. Others proposed in the past few years would render it virtually impossible. Only when bank laws formulate sound general principles of scientific banking do they really promote the public welfare. When they crystallize popular or demagogic fallacies and impose them on banking, they are inimical to the public welfare. The laws themselves do not create business morality or prudent management. Indeed we have at least one conspicuous example where the



BLANK & STOLLER

Francis H. Sisson



IT HAS been charged that bankers, in opposing banking reforms, have offered no constructive alternatives. Here are some proposals by a logical spokesman for the bankers

whole body of sound banking principles is in effective operation without the aid of a single technical statute or one iota of government supervision.

Banking in England

I REFER to England. I do not subscribe to the theory that what has proved good for other countries would necessarily prove good for the United States. Nevertheless we have been so much regaled with the syllogism:

- (a) English banking is largely concentrated in a few great branch banking institutions
- (b) No English bank failed during the depression
- (c) Therefore: branch banking laws are indicated for the United States;

that we are justified in considering for a moment the entire British analogy. Sometimes an analogy proves too much unless it is cut and trimmed to fit the specific needs of the case it is used to prove.

The broad facts of the English case are that the banks, like other business enterprises, are regulated only by the general Company Law, as it is called. There is no specific legislation controlling the establishment and activities of banks. They are allowed to carry on every kind of banking activity without restriction or inspection by the authorities and there are no legal rules as to the employment of deposits or reserves. The sole exception is the Bank of England.

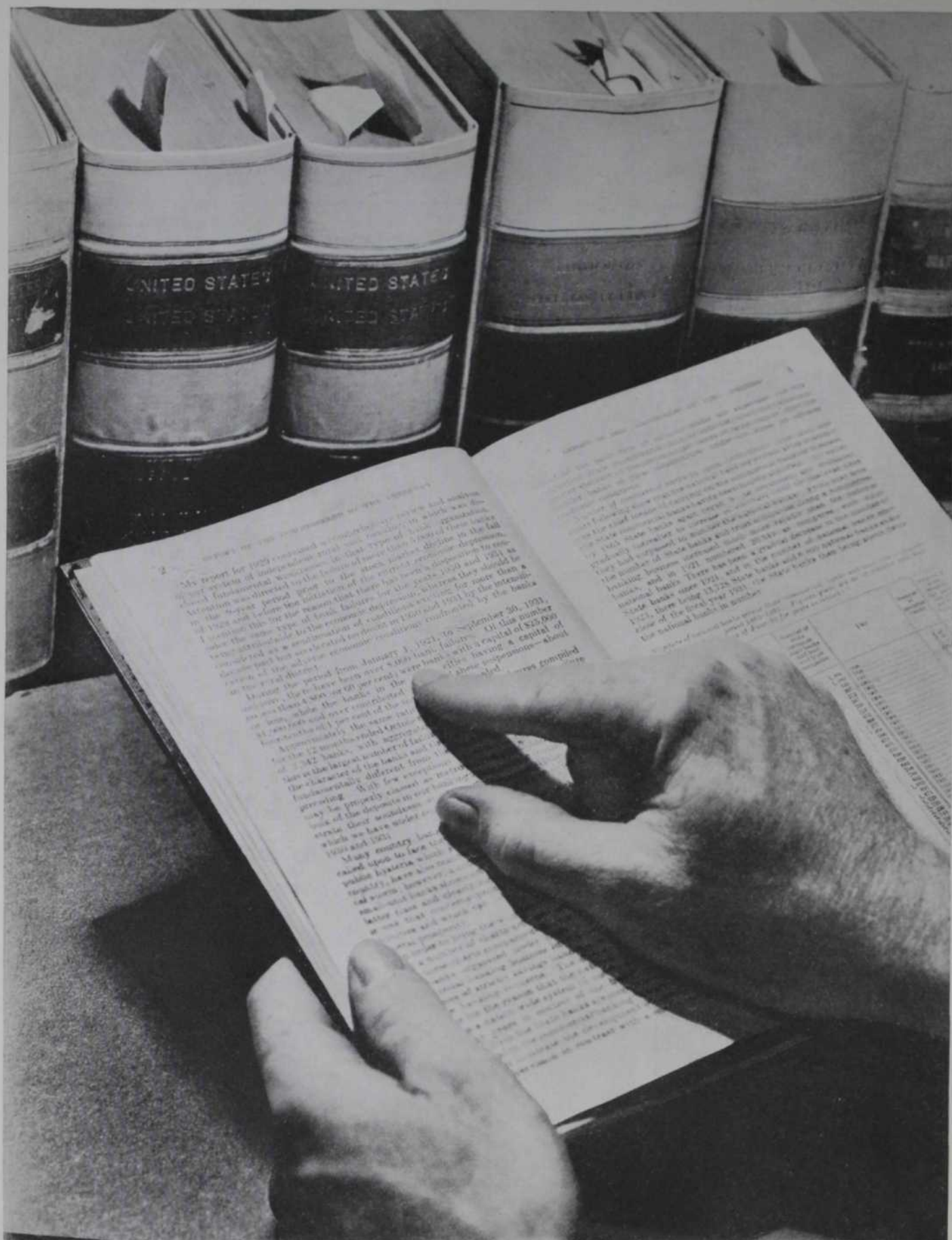
The United States presents a startling contrast to this. The United States Code as annotated includes a volume of nearly 650 closely printed pages full of banking statutes and the decisions under them relating to the National and Fed-

eral Reserve members, to the various special types of banks set up under federal charter, to taxation and to crimes and offenses involving banks and banking. In addition, each state has a voluminous body of statutes and court decisions regulating banks. There has been in America literally an avalanche of banking law.

One would hardly like to compose a companion syllogism to the branch banking analogy, to the effect that:

- (a) England has no specific banking statutes
- (b) No English bank failed during the depression
- (c) Therefore the abolishment of specific banking legislation is indicated for the United States.

That might be proving too much. But



HORYDCZAK

"I am convinced," says Mr. Sisson, "that we would not have seen the bank failure debacle that began in 1929 had not the basis for it been laid by unwise laws." In the period 1921-31 (a year longer than the period mentioned by Mr. Sisson in his article) 8,000 suspensions occurred in this country.

it is fair to ask—since, in this country, we place so much reliance for sound banking on the laws interfering with the free operations of banks—whether many of the recent bank failures are not the fault of those laws rather than of bank management. Should all the virtues be awarded to the laws and all the vices to bankers? I think not.

The conduct of government business under political auspices has never been such as to inspire blind faith in legalism and officialdom, while, by and large, the bulk of our business and finance under private management presents an impressive record of true public service.

As a matter of fact, the records confirm the inference that our banking laws and the manner in which the authority these laws give public officials has been exercised must both bear a large share of blame for unsatisfactory banking developments of recent years. I refer especially to the condition of overbanking that unquestionably has been a major cause of our banking troubles.

Too many banks chartered

THIS condition basically was created both by specific provisions of law which sought to foster a multitude of small banks in the rural districts, and by overliberal or actually lax chartering policies. Despite the advice or protests of able, public spirited bankers, both state and national banking departments frequently granted charters to small, weak, unneeded or ill-situated banks—often even to persons not fitted by experience or ability to practice banking.

This overproduction of banks by countenance of law and official policy began definitely in 1900. At that time the National Bank Act was amended to reduce to \$25,000 the minimum capital required for a new bank in towns with not more than 3,000 population. The avowed purpose was to encourage the opening of little banks in country towns. Under the stimulus of this amendment, national banks multiplied in 20 years from 3,700 to more than 8,000, of which 3,598 had only the minimum required capital.

Not to be outdone, the state governments recklessly competed in chartering small, country banks, some states for a time placing minimum required capital as low as \$5,000. Some still require only \$10,000. New banks started up in great numbers, especially in the agricultural districts of the South and West, and it is significant that those are the areas where failures have been most numerous in the past three years. State chartered banks rapidly outnumbered the national banks. In 1900 there were 3,700 national banks and 4,600 state commercial banks and trust companies. By 1921, when there were 8,100 national banks, there were 20,300 state commercial banks and trust companies. At the peak, 30,800

national, state, savings and private banks and trust companies were operating or trying to operate.

Today, approximately 19,000 survivors have weathered the intervening years of violently rising and falling business conditions. This elimination of nearly 12,000 banks through consolidations, voluntary liquidations and suspensions in 11 years meant, in most instances, the removal of banking units that should never have been chartered, undoing by harsh and unfortunate economic necessity the great chartering mistake made by government banking authorities.

This process was incomplete when the greatest series of economic storms the nation and world have ever seen began in 1929 and weak banks were eliminated at a ruinous rate. Furthermore, many banks that have permanently closed their doors since then would have been sound under all reasonable circumstances. They simply were not able to stand the shrinkage in their assets caused by the catastrophic drop in the market values of even the highest classes of standard securities and by the widespread inability of borrowing customers to meet their notes as due because of business reaction and stagnation. Also the failure of bad banks destroyed faith in many good banks and unjustifiable runs resulted.

In view of these facts, I am convinced that we would not have seen the bank failure debacle that began in 1929 had not the basis for it been laid by unwise laws and government official policies. Facts are eloquent. Of the 6,987 suspensions in 1921-30 some 4,276 or 61 per cent, were banks with capital of \$25,000 or less—strong evidence that reduction of minimum capital to stimulate organization of small banks in rural districts was one of the greatest financial mistakes that have ever become crystallized into law in our financial history.

Again, of those 6,987 banks that closed, 6,032, or more than 86 per cent, were in towns with less than 5,000 population—a gruesome tribute to the policy of promoting additional banks in country towns without considering whether the locality guaranteed a sufficient volume of sound economic activities to insure their profitable operation or whether their sponsors were qualified to engage in banking.

Often enough established bankers objected to the organization of unneeded banks or the authorization of unqualified persons to open banks, or urged banking departments to bring about by official pressure the elimination of dangerously weak competitors through consolidations or voluntary liquidations before it was too late. More than often they were suspected, or even openly accused, by public banking officials or others of being actuated by selfish or improper motives.

I urge attention to these facts simply to emphasize the truth that harsh experience itself proves conclusively that banking laws and public authority are not infallible defenses of the financial interests of the public. I am tempted to go to the other extreme and suggest that, largely in spite of plenty of good banking and good bankers, the laws themselves were in a measure instrumental in causing or permitting conditions that were inimical to the financial interests of our people.

Legal restriction and official supervision are an inherent part of banking in this country. A proper investigation of the banking problem calls for critical examination of our present banking laws as well as of our banking methods and managers. Constructive results might be obtained in both directions.

I believe that some changes in our banking laws are desirable. I do not believe, however, that these changes need be radical. Particularly I do not believe that a great volume of new and hastily constructed laws—embodying the ideas of persons without practical banking experience—should be imposed upon banking. This particular remark is called forth by the indisputable fact that, at the last session of Congress, volume rather than quality seemed to dominate the mass of proposed laws aimed at banking. In some cases these proposals seemed to be little more than theoretical, academic or doctrinaire prejudices against bankers put into the form and verbiage of law. In others they were merely expressions of demagogic or political opportunism.

Taking politics out of banking

THIS is perhaps inevitable so long as the approach to the banking problem is purely from the outside along political channels. I would propose a different approach. One thing I like about the Canadian banking situation is the procedure in respect to legislation. The law itself provides that, every ten years, the bankers and the legislators shall jointly go over existing banking laws, consider economic changes that have occurred since revisions were made, and study the lessons of experience. Then on this groundwork, they develop a program of needed legislation.

Back in 1928, the Canadian House of Commons ordered its Banking and Commerce Committee to begin preparation for the decennial revision which is not due until 1933. The committee has recommended that the Government invite into conference the bankers of Canada and other competent persons to study its preliminary findings. The bankers have declared themselves ready to cooperate in accordance with the recommendations of the committee when the time for action comes.

This is in marked contrast with the

controversial, heckling public hearings on bills in the United States. Bankers are given no opportunity to weigh and consider their provisions. There may be less fury of reform in the Canadian procedure, less profit and advertising for political ambition than in our American plan, but certainly no less zeal for constructive public service. Banking legislation is so technical, so bound up with all phases of public welfare that the national interest may be, and has been, seriously jeopardized by exposing it to

the rough and tumble of partisan political or controversial battles.

I earnestly propose, therefore, a new approach to banking legislation. What changes are to be made should be deliberately worked out, at least in an advisory way, by a body representative of all interests—representative of the Congress, of the Treasury Department, the Federal Reserve System, organized banking and organized business, free from all political considerations.

Of one thing I am certain—such a

commission would soon reach the conclusion that no radical tearing up of our present banking laws and methods is necessary; no great volume of additional statutes need be imposed; no new principles of banking need be introduced.

A large part of the demand for extensive banking legislation was based on the thought that public confidence in our financial institutions had been so badly shaken that something spectacular

(Continued on page 62)

What the U. S. Chamber Is Doing

WAR debts, taxation, the budget, farm relief, unemployment insurance, depreciated currency, and transportation are covered in a varied program whose whole aim is action rather than theory

★ A JANUARY 1 inventory of National Chamber activities reveals that the organization is starting 1933 with a program which touches major problems now before the business world. Realizing that, as President Harriman put it in a recent statement to the press, "this is not the time for discussing how things shall be done, but for doing them," the whole Chamber program is aimed at action, rather than theory.

An example is afforded by the report on war debts recently prepared by a special Chamber Committee headed by Silas Strawn, former president of the organization. This report, discussed at some length by our Wall Street correspondent in this issue of the magazine, was submitted to the Board of Directors meeting in New Orleans in mid-November. It has been ordered to referendum vote of the membership who will be asked to accept or reject the Committee's five definite conclusions:

Further postponement of payments should be authorized on a temporary basis in the case of those debtor countries showing inability to make present payments.

Upon a debtor country showing material change in the bases of the existing debt agreement, the United States should negotiate modification that will promote the

best interests of the United States. The best interests of the United States require that any modification should provide for such treatment of our trade as will assure access of American goods to its markets on fair competitive terms.

The best interests of the United States require that any modification should be conditioned upon reduction in expenditures for armaments.

Proposals for the United States to cancel war debts owed to it by other governments should be rejected.

The Directors also heard reports from special committees which have been studying state and local taxation, federal taxation, banking and budget procedure. Each of these reports definite suggestions for future procedure.

The Committee on State and Local Taxation, for instance, revealed that a saving of nearly \$500,000,000 has already been made in these levies. It estimates that this sum can be doubled without impairing efficiency and is preparing a series of reports, based on experience, showing what has been done to reduce costs of each local government function. These reports will be distributed to all organization members for use by their tax committees.

Limiting new taxes

REDFIELD PROCTOR, Chairman of the Committee on Federal Taxation submitted a progress report stressing the reduction in federal expenditures. He urged that "no taxes designed to bring in additional revenues should be advocated except such as may be clearly necessary to obtain a balanced budget within a reasonable time. The proposals of new taxes should not be permitted to divert attention from the need to reduce expenditures nor be permitted to encourage the addition of new expenditures."

"When it is clear," he said, "that additional revenues must be provided . . .

a manufacturers' sales tax should be given examination."

The Committee on Federal Expenditures has prepared reports recommending a reduction of \$400,000,000 in expenditures for veteran relief and improved budgetary procedure and is now preparing a report which will recommend further reduction in other government expenses. The report on banking has been sent to referendum to determine the views of the Chamber membership. It is a thorough-going study of the banks and the Federal Reserve System. It covers, among other things:

The Reconstruction Finance Corporation; the Glass-Steagall Act; pending legislative proposals including the denial of discounts by Reserve Banks; non-member bank affiliates; security affiliates; bond departments of National banks; security market loans for the account of others than banks; conduct of Federal Reserve open market operations; membership of the Federal Reserve Board; removal of bank officers and directors; liquidation of suspended banks; group and branch banking; guarantee of bank deposits and stabilization of commodity prices.

Other Committees now active include the Special Committee on National Agricultural Policy which, meeting in Chicago November 21, stressed the need of strengthening the purchasing power of agriculture to a level commensurate with that of the pre-war period. It also urged that, in the general public interest, all groups cooperate with agriculture in the formulation of methods which will enable the farmer quickly to reestablish his economic position on a parity with that of other industry. A subcommittee was authorized to draft principles for a plan of agricultural relief and to report back to the main committee at an early date.

Meeting at headquarters early in January, the Trade Association Depart-

(Continued on page 70)

What's Ahead in Washington

W. M. KIPLINGER *Gives You the Washington Picture*

Dear Mac:

LET ME caution you a bit about Washington advices. If the caution makes you lose some faith in Washington, well and good.

What you need, especially at this time, is just the right perspective on political influences, with neither too much respect for them nor too much indifference to them.

You read in the papers these days that Senator X or Congressman Y predicts enactment of the so-and-so bill before March 4.

Many of these statements are irresponsible, in the sense that they mistake a *hope* for a *fact*. They mislead thousands of business men who place too much reliance on the public word of public men and who plan their business policies accordingly.

Be skeptical about Washington advices for the next 60 days.

Remember that these are times when men yearn so much for expeditious political action that they persuade themselves their yearnings will materialize. Some of them will, but most of them will not.

Legislative Forecast

A GOOD general statement about the short session of Congress which ends March 4 is this:

It will work hard and accomplish a great deal, but it will not finish and

finally enact many of the big measures now before it. It will not do enough to make unnecessary a special session of the new Congress in April or May.

Budget. Congress at the short session probably will not balance the budget for 1934.

Taxes. The general manufacturers' sales tax probably will not be adopted. Some new special excise taxes possibly may be voted, but the best indications are that the problem of new revenues will lie over until the new Congress.

Prohibition. Repeal or resubmission will not be finally voted.

Beer. The prospects for beer are uncertain. It is impossible to feel any definiteness. Chances are slightly against.

Domestic allotment. This probably will not be voted at the short session, because there is not enough unified support for any, one plan to counterbalance the numerous technical objections. It is one of those things which Congress always fusses over for a year or two before deciding.

Mortgage relief. A large additional sum will be voted for the Federal Land Banks to enable them to be easy on delinquent debtors and at the same time maintain the market for their bonds.

Moratorium. There will be no legislation for general moratorium on mortgage debts.

Railroads. A broad program of railroad legislation must wait until the next Congress.

Muscle Shoals. It probably will remain deadlocked.

St. Lawrence. The treaty will not be ratified.

Public works. There will be relaxation and broadening of the definitions under which the R.F.C. may make loans for

self-liquidating public works. There will be no "billion dollar bond issue for public works."

Export loans. Expect a relaxation of the restrictions on R.F.C. loans to finance exports, particularly of agricultural commodities. Thus the R.F.C. can make some "doubtful loans," get rid of some of the surpluses of agricultural products, and help to raise prices. This probably will appear as one of the emergency acts for farm relief.

Tariff. No general tariff revision, of course. Probably no drastic raising of the bars against imports from depreciated currency countries. Probably the Tariff Commission will be empowered to consider depreciated currencies as one factor in recommending flexible changes, and the Tariff Commission subsequently will arrange protection for a few industries which are very hard hit.

Anti-trust. Doubt whether any important legislation will get through, and this applies even to the Nye bill, which is the leader.

Postage. Chances are fair for reduction of the three cent letter rate to two cents, mainly because the postal employees are for it. They need the work, which has been diminished by the three cent rate.

Banking. The Glass bill will have to wait until the next Congress. It can't get through the House. Guaranty of bank deposits will not be voted. Provisions of the Glass-Steagall act, permitting use of government bonds as partial base for Federal Reserve currency, will be extended.

Veterans. Expenditures will be reduced, but not "cut to the bone."

Philippine Independence. This probably will not be finally enacted.

Fogginess

JUST now there's a great fogginess in Washington thinking and Washington planning, and this fact should be recognized in order to understand the developments that will be noticed

here in the next few months.

This fogginess is due only in part to the shift of administrations. It is due mainly to something more fundamental. We have reached the end of a period of experimentation, as represented by R.F.C. loans to uphold the financial structure, accompanied by easy credit, and Glass-Steagall buttressing of the currency-and-gold situation. The period started approximately a year ago.

The big idea then was that the pouring in of public credit could do two things:

1. Curb the deflation, the rapid slide, the bank failures, the spirit of panic.

This has been done, and the experiment has been moderately successful, perhaps worth the cost.

2. Start the "reflation," the upward swing of prices, the acceleration of business, the real recovery.

This has not been done, and the experiment has not succeeded according to advance expectations.

You may say that you had your doubts about this second phase all along. So did Washington. The point is, however, that Washington now realizes and admits that the thing has

not worked. The tacit admission marks the end of an era of approximately a year.

Crossroads of Inflation

The decision has not been made and may not be made for another six months. The Hoover administration prefers further debt adjustment to a program of outright inflation. The Roosevelt administration probably will prefer the same route.

But it is only "probably" because the course is largely determined by current necessities and expediencies. Inasmuch as we cannot foresee clearly the economic necessities six months hence, we cannot foresee the expediencies which may be forced upon us.

This much seems certain:

This country will not embark on a program of inflation except as a sort of last resort. At this time the circumstances which would require a last resort are not discernible.

You should adjust your mind tentatively, therefore, to the idea of 1933 as a year of downward adjustment of various sorts of debt, rather than of upward swing of business and prices under the lash of inflation.

Debts Downward

WHEN we talk of debts we mean mainly domestic debts, because they are so much larger, so vastly more important than the foreign war debts. We mean such things as farm mortgages, home mortgages, industrial bonds, railroad bonds, municipal bonds. Tied up in the same bundle are property rents, interest rates, and the fixed charges on business due to the "rental" of capital.

In 1933 the tendency will be downward on these items, judging by present indications of politico-economic policy.

Not *all* debts must be adjusted, but merely *some* debts—those on which there are delinquencies or threatened delinquencies; those which are of hopelessly unmanageable proportions; those which can't be paid in full but which might be paid in part. There is to be no flat, uniform, standard method of application of the debt adjustment force. There is to be no statutory law, no governmental fiat, no official compulsion.

The tendency will be to adjust interest charges, or the cost of carrying debt, rather than the nominal face value of the principal. Perhaps in many cases the principal itself will be scaled down. This is more shocking than merely the adjustment of carrying charges, but the result is the same. "Adjustment" leaves open for future years the question of whether principal will eventually be paid in full.

Little by little, here and there and yonder, circumstances and method different in various cases, down will come debts in 1933.

How To Do It

LET ME suggest a few of the ways in which debt adjustment may come about.

Farm mortgages. First, the Federal Land Banks will continue their policy of easing the current payments of farmers who are really up against it.

To let the Banks do this without hurting the market for their bonds, Congress will advance more capital to the Banks, or otherwise stand behind the bonds.

Insurance companies and other mortgage lenders will pursue a similar policy, perhaps gaining uniformity among the various companies as plans are developed.

How the Joint Stock Land Banks will manage is not clear. Some of them are in financial difficulty and they want to get in under the government wing, to "sell out to the Govern-

ment," but legislation to accomplish this will not be enacted at the short session.

Home mortgages. Voluntary adjustments of mortgage payments must be made by many owners of home mortgages, including building and loan associations, insurance companies, and banks.

Railroads. Some railroads will be forced either to get the cooperation of their security-owners in voluntary reorganizations of financial structures (meaning the scaling down of debts), or to reach the same end through receiverships.

The Government will not lend to railroads in 1933 as liberally as in 1932, thus forcing the reduction of fixed charges.

Corporations. Many corporations have reached the point where their only chance of continuing in business lies in agreements with their bond owners to accept less than the sums called for in indebtedness agreements.

Commercial real estate. Office buildings and apartment houses will continue to be sold under the hammer, unless creditors agree to adjustments.

Public debts. These, in due course, can be adjusted by refunding at lower interest rates, the refunding aided by continuing easy money. Refunding of federal obligations will start in 1933.

There is nothing new in all this. It has been going on for at least two years, and apparently must continue for another year or two.

The whole idea of further debt adjustment is predicated on the assumption that a good big healthy business revival is not just around the corner.

Of course, if the unexpected should happen, and if there should be a sudden boom, most of the debt-adjustment plans would be all off.

Official Reticence

LITTLE is heard on this subject from Washington because officials dare not talk right out in meeting, lest their comments promote unnecessary debt repudiation, or encourage some debtors to take unfair advantage of the general situation.

It is admitted that there is no uniform fairness in the whole process of voluntary debt adjustment. Those who can pay will be made to pay, and those who can't pay will have their burdens adjusted to their capacities. If there is fairness, it lies in the fancy philosophical realm; it is one way of redistributing wealth.

War Debts

THE WAR debts will be adjusted in 1933.

Figuring deductively, it is like this:

The debts must be adjusted in the interest of the United States; therefore, they will be adjusted.

Figuring inductively from evidence at hand, it is like this:

First the public, and second the Congress, have passed through a period of irritation at Europe, due mainly to the clumsy debt propaganda emanating from Europe and from our bankers and stockbrokers. This has caused a burst of public stubbornness, voiced in congressional statements. But now this is passing and it is noticeable that an increasing number of Congressmen are swinging toward adjustment. Farmer and labor organizations and other public groups also are showing signs of activity on behalf of revision.

Just how and just when revision will occur, nobody knows. I am inclined to look for it in the special session, around the first of June.

This point needs to be hammered home once again:

It is not *justice* of the war debts which should now guide us. It is *expediency*, and solely from the angle of American interest.

On Armistice Day, 1918, I wrote a Washington dispatch for the Associated Press on war debts, which were then fresh and hot. I said, among other things, that the official expecta-

tion was that they never would be paid in full, but would be whittled down in due course. The significance of this is that I was a reporter, closely associated with the then-Secretary of the Treasury and his war loan staff, and that I merely reflected what these officials had said privately many times while the loans were being made. This proves nothing, but it suggests something concerning the intentions of our war-time statesmen. Mr. McAdoo was Secretary of the Treasury then; Mr. McAdoo will be in the Senate after March 4.

Foreign Commercial Policy

SINCE the War this nation has been high hat. We have prospered, and we have given good advice to Europe out of our store of high-mindedness. We have been like a rich philanthropist, eager to do good, willing to finance meritorious movements, but unwilling to get down and work with the committee on arrangements.

Now we are taking a terrible licking, worse than Europe at large realizes. You don't need to know history, you need only to have horse sense to realize that this is the sort of thing which makes a nation cooperative—not merely in spirit but also in action.

We are on the threshold of a new era of international co-operation. This coincides with a change of administration from Republican to Democratic, but regardless of party change a modification of foreign policy was inevitable.

The influence of Mr. Hoover as Secretary of Commerce in the post-war decade is probably as great or greater than his influence as President.

He was responsible, more than any one public man, for the tremendous increase in productive efficiency in industries. Major planks in his platform were standardization, simplification and mass production.

He also was the chief advocate of the big push on export sales—sell, sell, sell abroad; lend abroad, if necessary to sell; let the lendings balance the payments for the present, and let the future repayments come from the production financed by the loans. Now we see that the world cannot pay for the increased production.

The Hoover economic idea has failed, and this is not directly related to the political facts of his failure at reelection.

We must sell abroad, because we have things to sell, mainly manufactured specialties, and certain raw materials which the world needs. We do not need to sell so aggressively as in the past decade. We do not need to float bogus foreign bonds in this country to let foreigners buy our goods. But we do need an outlet for products of certain industries, even after they have pruned their production to rational proportions.

Conversely we must buy from abroad. We must cease to protect every little industry, or every little toe of every big industry, against foreign competition.

We must count on a decade of shifts within our own country—shifts of capital, shifts of employment, from one industry to another.

About two years hence, not earlier, we shall begin to moderate our tariffs downward.

Canada, United Kingdom, Cuba and Latin American countries will have first attention.

The Democrats talk of tariff reciprocity. This is a nice theory and perhaps in time it will be worked out. But the difficulties are very great, from the standpoint of internal politics. Reciprocal agreements involve the trading of one domestic industry's interest against that of some other domestic industry. The industry unfavorably affected on imports probably could scrape up enough opposition to prevent ratification of the reciprocal tariff treaty, which requires a two-thirds vote.

We shall resume foreign lending two or three years hence. It will be on a moderate scale. The Government in due course will impose some kind of publicity requirements on foreign loans, so that the publicity will constitute a form of self-

regulation, a substitute for the misunderstood State Department "OK."

Russia

WITHIN a year after the Roosevelt administration comes in our Government will agree to the establishment in Russia of an "unofficial" trade commissioner, who will look after and promote American interests. Full diplomatic recognition of Russia still seems a long way off.

Forecast of 1933

I'D MUCH prefer not to go on record with a forecast for 1933, for it is difficult and delicate. But, after all, it is possible to see ahead on a few influences and a few general results. So here goes, for some brief "observations."

Quarters. First quarter, exceedingly difficult, by any or all standards. Second quarter, a little less difficult, due to a fair pick-up in the spring, probably of no more than seasonal proportions.

Second half of the year is really not predictable—anyone who tries is merely guessing—but there's no reason for not assuming that somewhere in the second half of the year will occur the sure beginning of the cyclical recovery from depression.

Debts. To be adjusted downward, all along the line (discussed previously).

Inflation. Improbable on any large scale.

Commodity prices. Some strengthening, but not much; better to figure on doing business somehow on present levels. Exception, perhaps, in the case of agricultural products for which artificial political bolsterings may be devised.

Volume of business. Discouragingly low in first quarter, better in second quarter; for the year as a whole, a little better than in 1932.

Bonds. I know nothing about them, except academically. Most of them have taken their licking, and interest rates will remain low. There's a plethora of investment capital. It must go somewhere, and it would seem that the bond market ought to improve. But for some, and certainly not for others, so it's hard to generalize.

War debts. To be adjusted (discussed previously).

International relations. These will be irritating the first half of the year, and better the last half, when the American policy of more cooperation begins to be apparent.

Corporations. Many delayed write-downs of values and reorganizations of financial structures must occur. This will put corporations in better position to make profits toward the end of the year.

Railroads. Unless spring brings more of a business revival than now seems probable, a number of railroads will go through either receiverships or voluntary financial reorganizations.

Utilities. Electric rates will continue their downward trend.

Banks. Most of the big banks are in satisfactory position, but many weak banks will be affected by the necessity of marking down assets to something like their apparent real value, involving a readjustment of the conceptions of "intrinsic value." We shall ultimately have fewer banks.

Unemployment. We must count on a continuation of heavy unemployment throughout 1933, although the proportions cannot be foretold.

Shorter hours. Organized labor will work vigorously for shorter work periods, and will make progress, for the theory of fewer work hours has been accepted by most industrial leaders. In the practical application of the theory there will be numerous disputes, and labor troubles are bound to increase.

Relief. It is obvious that relief burdens must be borne increasingly out of local taxation, as distinguished from voluntary contributions, thus putting a strain on municipal credit. One hopeful point is, however, that cities are making

progress in reducing expenditures for general purposes.

Politics. It will be driven home to the public that political remedies do not go far toward solving economic problems.

Spirit. The spirit of the country will be more realistic than at any time in recent years. There will be an absence of both the sentimental optimism which prevails in boom times and the sentimental pessimism which has been a phenomenon of the past year. This development is good.

Tag Ends

—I KNOW a high administrative official whose salary was raised by his superiors. He refused to take it "in these times of suffering," and was greatly worried lest the newspapers

get hold of the story and publish his name.

—If you want to read up on war debts, get the book "War Debts and World Prosperity," by Moulton and Pasvolksy, published by the Brookings Institution, Washington, \$3.

—England insists on American policies which will raise commodity prices, presumably by inflation, as the only way of saving the British economic situation. America does not yet see its way clear, and prefers to proceed along the path of gradual deflation.

—General MacArthur, army chief of staff, recommended a bigger army for the Pacific area, and thereby became a bull in the diplomatic china shop.

—"Technocracy" (technological unemployment) is the month's favorite subject of discussion. Nelson B. Gaskill thinks the answer is to be found in permitting business to regulate its own competition, and in establishing the principle that sales below cost represent a form of unfair competition, to be outlawed gradually. This, he thinks, would be an automatic regulator of overproduction and underproduction—as automatic as a governor on a steam engine or a safety valve on a boiler.

A more common view is that shorter work periods will be the answer to technological unemployment, and that the profit system is not necessarily doomed.

—M. C. Rorty is getting more support each month from economic thinkers on his plan for outright government subsidy, bounty or bonus, to anyone who will undertake construction operations which will make employment. It is not one of the crazy wild schemes, and you will hear much of it before long.

—Government salary cuts are certainly making Washington feel the pinch. Retail prices have come down almost to the levels of other cities, but not quite.

—Colleges and universities are having a hard financial time everywhere; it isn't just yours.

—Roy D. Chapin is showing up well as Secretary of Commerce. He is as vigorous as Mr. Hoover used to be on the same job.

—The Banking and Industrial Committees need a big push; they began to get discouraged and to ease up a couple of months ago.

—One of the shames of the Government is that the technical thinking in the various departments lacks coordination, causing discrepancies and inconsistencies in policies of the government-as-a-whole.

—I don't know what Mr. Hoover will do after March 4. But in times past he has told friends that he would rather devote his life to the child welfare movement than to any other one thing. In the past few years it is said he has spent a large part of his small fortune endowing various worthy movements (secretly).

—There's gossip that Mr. Mills after March 4 may help the insurance business in its task of adjusting mortgage debts. Whatever Mr. Mills does is significant, for he is a potential candidate for the Republican presidential nomination in 1936.

—The bottle and cap industry wants beer distribution limited to bottles only; the cooperage industry wants beer by keg; each claims the maximum of employment by its method.

—Many former first class mail users have learned how to beat the game of three cent postage by going to third class, and some of these will not go back to first class, even at a two cent rate.

—A new set of lobbyists and "influence lawyers" will now appear in Washington—Democrats instead of Republicans. This is a feature of the unseen patronage.

—Washington now has two frank, open communist newspaper correspondents. Both are capable and intelligent men.

—The Shannon committee investigation into government competition with private business is often called a "sparrow hunting expedition." It caused the suspension of many forms of petty government competition, such as army stores in out-of-the-way army posts, but did not bag any big game, such as Muscle Shoals, waterways, barge lines, etc.

—The domestic commerce or domestic distribution research under the Bureau of Foreign and Domestic Commerce ought to be reorganized, but it ought not be abandoned.

—Democrats complain that Republican Treasury advance estimates of receipts and expenditures have been inaccurate and misleading. They will be quite the same under a Democratic administration. It is an impossible job under our present tax system to make accurate estimates more than a year ahead.

—Regulation of security exchanges will be brought about under the Roosevelt administration, not primarily by rules and regulations governing the sale of securities, but mainly through requirements for full and adequate publicity on the background condition of the corporation whose securities are offered. It is an old idea, popularized in recent years by Professor Ripley.

—Drastic banking regulation laws can be put through the next session of Congress better than at this session.

—The tone of this session of Congress is sober, not wild. Lame duck sessions come in for more public abuse than they deserve. Lame duck members may not be acutely responsive to the public will, but they are likely to be conscientious.

—To reduce the gold content of the dollar is now one aim of the farm lobby. But this is the sort of thing which is never rushed through Congress. It is worrying financial interests unduly, at least for the present.

—One reason the domestic allotment plan cannot get through this session is that it represents practically a sales tax on food consumption, which is contrary to the desires of laborites and liberals.

—Able statisticians and economists are beginning to throw doubt on the "spending urge." They are suggesting that this country is behind in its savings, and that business cannot revive until the savings catch up to schedule.

—These are days in which many rumors circulate regarding Washington. It is interesting to note how anyone in Wall Street is inclined to believe anything he hears, especially if it is whispered. No one anywhere is quite as gullible about Washington as the average Wall Streeter.

—Light wines hurt the chance of beer. Drinks don't mix.

—Most practical-minded observers in Washington feel that the Federal Government cannot prevent the return of saloons when prohibition is abolished.

—If four per cent beer is "non-intoxicating," then may it be sold at grocery stores, soda fountains and lunch stands?

—Is the social order collapsing? No, merely evolving, by the pain route.

Yours very truly,

Wm. A. Springer

What Machines Have Done to Men

By JAMES S. THOMAS Economist for the Commonwealth & Southern Corporation

★ THE MACHINE has done much to change the occupations, recreations, and social life of mankind. Philosophers as well as engineers and economists—some of whom now style themselves “Technocrats”—are being forced to recognize these changes. They are in none too good humor about it; indeed, they are just now giving the machine fits.

Commerce and industry, built upon the machine, share this criticism while friends of business look in vain for a complimentary remark in current literature.

The cultural urge is so fundamental that peoples and races are rarely conscious of its beginnings and its development. This cultural urge finds expression in two types of culture—an idealistic culture about which everybody raves, and a materialistic culture about which nobody raves. The idealistic culture finds expression in the creative arts. The materialistic culture is embodied in inventions, machines, industry, and business.

The materialistic culture does the prosaic thing of paying the bills for the idealistic culture.

It did this for Plato and also for Aristotle, who had the good sense to marry the richest woman in Athens; for Dante and Shakespeare; and it continues to carry on by making possible colleges, libraries, universities, churches and a host of other institutional containers of our idealistic culture.

I guess it is a fact that idealistic culture has ever traveled on the back of materialistic culture. Business has never followed civilization, because there has been no civilization without business. There is ample statistical evidence that the measure of a nation's cultural advance is the ability of its industrial and commercial life to pay culture's bills and continue to carry on.

The machine constitutes the very basis of our modern economic world. Making free use of the machine, America has just experienced the most marvelous century in the history of mankind. In 140 years we increased our national income from \$400,000,000 to \$80,000,000,000 and our national wealth from approximately \$500,000,000 to something like \$375,000,000,000. The dates are from 1779 to 1929. The population grew in that period from 3,000,000 to 120,000,000. This marvelous performance was made possible by the machine!

Of the many criticisms of the machine, perhaps the most noteworthy at the moment is that it throws men out of work.



THE spinning machine enabled one man to spin as much as 700 could spin by hand yet the number of workers in the textile industry increased. The typesetting machine was damned because it would throw printers out of work. Printers increased. Today critics declare that the machine age is the cause of the depression, of overproduction, of unemployment. This sounds reasonable until someone comes forward with facts as Mr. Thomas does here

That contention is centuries old. Recently, however, it has been hurled at us with fresh force and a new air of finality by a group of engineers and economists who are threatening us with a new word and a new economic theory. The word is “technocracy”—the power of the machine. The theory is that the machine is overwhelming man so fast that the present system of price and profit is doomed. Its exponents work together at Columbia University, charting and studying the increasing use of power and machinery in the world, and especially in the United States.

Limited demand?

THE technocrats declare that it is false to assume “that the desires of the citizens of any social mechanism are unlimited and hence expansion of production to meet these wants can be pushed to infinity.” Should we accept that assumption offhand?

Philosophically, the glory of the machine is that it does the work of men and thus releases them for more interesting pursuits. Many idealists wish it were possible to do all the work of the world with the machine.

That the machine “throws men out of work” is one of those “perfectly self-evident propositions” which does not happen to be true.

Turn to England for a moment, where the figures have been carefully recorded for more than a hundred years. Take the largest industry—textiles; we find that it took 700 persons to spin as much in 1769, the year that Arkwright invented the first spinning machine, as one man could spin in 1855. According to the argument, this is throwing 699 men out of work in the lifetime of one octogenarian.

Yet, in 1856, some eighty years after Arkwright's invention, 379,000 men were employed in the British textile industry, as compared with 218,000 in 1835. By 1914, employment in the industry had advanced steadily to 689,000. In 1831, England's population was 24,000,000, and in 1911 it was 45,000,000. Roughly, while the population was doubling, the number of workers was trebling in an industry in which the machine was being improved as rapidly as in any other industry. This does not look as though the improved machine was causing unemployment. But someone will advance the idea that the cotton trade in England presents the exceptional case. I wonder if it does.

In England the 14 “engineering trades” show the same

thing. The number of workers in these trades increased two and one-half times in 40 years, from 235,000 in 1871 to 602,000 in 1911.

There also are figures for the printing trade where the advance in perfecting machines has been amazingly rapid. It is estimated that the man-hours necessary now to bind 1,000 books are only a third of what they were just 30 years ago. Yet in England, between 1871 and 1911, those engaged in printing and in distributing the product increased from 80,000 to 224,000.

The truth is, most of the apprehension about the machine putting large numbers out of work is based on the false assumption that demand for goods will become stationary. Quite the reverse is true. There is no good reason for assuming that desire for the good things of life will suddenly cease. Increased employment in the printing trades meant only that more people were reading, no doubt being told in much of what they read that the machine was going to upset civilization!

English statistics reveal that the total number employed in industry (and all trades affected by the invention of new and modern machines are included) increased between 1881 and 1911 from 6,373,000 persons to 9,468,000. This is 48 per cent for the period. But the population of England for the same period increased only 38 per cent. Of course the fact is that, but for the machine, England's population could not have increased at that rate. The country could not possibly have supported them. Starvation, or peasant standards of living for all, is the alternative of the machine.

Our present unemployment plight cannot be charged to the machine. There are plenty of other reasons for this depression. Some people have become so excited about the machine, they are not thinking. Wanting a scapegoat, they approach the thicket and lo, the machine!

This advancing efficiency, and the drop in American industry from war-time inflation had, between 1920 and 1928, put 917,000 men out of work. I am using Department of Commerce figures. If to these we add 800,000 in the decline of employees in agriculture, only a part of whom may be charged to machines, and the 240,000 relieved from railroads, we arrive at a formidable figure of 1,957,000.

Too many social reformers are overwhelmed with these figures and go no further. But it is not quite half the story.

An increase in employment

FOR instance, between 1920 and 1928, the increase in the number of workers servicing and driving automobiles was 750,000, including 100,000 bus drivers, a vocation which did not exist in 1914. There were 100,000 more insurance agents in 1928 than in 1919, an increase made necessary by the large expansion which took place in insurance fields incident to new industry and trades. Electric refrigeration, light and power, and oil heating establishments have increased employment by another 100,000. Between 1919 and 1928, another 100,000 were added through construction work and management. There were 232,000 more teachers and professors required to look after the young in 1928 than in 1919. Motion picture servitors (not production employees) added another 125,000; barbers and hair-dressers, 170,000; personal service in hotels and restaurants, 750,000, and radio, 200,000.

Thus it appears that, while we were displacing in America 1,957,000 people through increased efficiency made possible by the machine, we were adding in new trades and professions 2,527,000 people directly and something like 2,000,000 more indirectly! The difference more than accounts for the increase in population during the period. As the machine becomes more and more efficient, the new service functions not only offset unemployment, but indicate a larger *per capita* earning power and thus increase the standards of living.

Other criticisms of the machine come from the intelli-

gentsia. Speaking at Leeds University in England recently, the Bishop of Ripon declared, "The enemy of progress now is not so much the beast within man as the machine which has him in its grip. The machine subjects the human spirit to a mental habit, a tyrannous technique, because men move in mechanical masses."

The Rev. H. P. Frost recently exclaimed, "In this age of the machine, the shadow of a Frankenstein monster falls like a sinister menace across the upward pathway of the race." He is more eloquent than the Bishop, but pitched in the same key.

Professor Harry E. Barnes recently declared, "The machine has confused and will finally destroy its baffled creator." Mr. Austin Freeman, a widely quoted author, believes that, as the machine becomes more efficient, man becomes less independent and self-reliant; he becomes more regimented, his personal liberty more abated, and his sensibilities become blunted and debased. This is pretty nearly saying that it takes more mental ingenuity to drive an ox-team than an automobile. It certainly takes a different vocabulary.

Opposition to the machine

BUT, mind you, there is nothing new in all this. Carlyle hated invention. Thackeray despised the machine. Tennyson found new metaphors with which to damn the machine. Browning soundly disliked science and all of its doings while optimistically exclaiming, "God's in His Heaven, all's right with the world." Yet, at that very moment his fellow men were naked and hungry in the streets for want of what the machine could have given them, and dying from contagions caused by the lack of simple sanitation which science could have supplied.

Such is the idealism of poets and philosophers.

In an earlier day in the life of this Republic, a wisdom-laden school board out in Ohio refused to allow a group of young people the use of the school house for a debate as to whether railroads would be a good thing for Ohio. The board felt that if the Lord had meant for people to ride through the Ohio countryside at the death-dealing rate of 12 miles an hour, he would have said something about it in the Bible.

So it goes. The machine is anathema. Our intelligentsia, that interesting group among us who are so busy formulating a philosophy about life which will justify themselves in having nothing to do with it, write vehemently of a "mechanized civilization," a "machine-bound man," "handcuffed to the machine."

More specifically, they tell us:

1. *That there is no beauty in the machine.*

Poets like ready-made metaphors. The Leviathan has no creaky wooden hull, no greasy decks, no knotted cordage, no patched canvas. So, the modern poet turns up his nose at her because she is too comfortable; too efficient; too safe. The automobile is as beautiful as any chariot ever driven by ancient charioteer, and the modern liner surpasses in beauty any fantastic tub that ever tested cordage or the courage of a mariner, while the airplane is as beautiful as the flying bird itself, and a modern passenger engine is a work of art.

2. *The machine destroys artistry in the product.*

On the contrary, the machine is democratizing art. The man in the street today wears a more artistic shoe than Henry VIII and the King picked his shoes with the same discriminating care as he did his women. A modern electric range is a more artistic piece of furniture than the dressing table of Mary, Queen of Scots, if only you forget we use the range to fry bacon on. Through the reproduction of artistic tapestries in wallpaper, the machine has made it well-nigh impossible to go into a first-class paper store and buy an ugly roll of wallpaper. The machine is not destroying art. It is democratizing it by making accessible to all men artistic forms of the necessities and luxuries of modern life.

Fundamentally, this is the objection the intelligentsia have to the machine. It is making art, learning and leisure accessi-

ble to all men, and hitherto these have been the exclusive possessions of the intellectual classes.

3. *There is nothing human in the machine.*

It is crushing the life of men, reducing them to robots, making mere automatons of them. This is just too bad! The facts are the machine is the most humane thing yet contrived by man, and has far outstripped his philosophy or his altruism in freeing men from arduous toil and slavery. Aristotle accepted human slavery, as did our own forebears.

The Christian religion, with the challenge of its Master that all men are brothers constantly ringing in its ears for centuries, complacently accepted human slavery and waited until the machine made the system economically impossible before "rising up to strike off the shackles."

Not so long ago 16 hours was a legal day's work. The machine has made this inhumane. Altruism never freed slaves. Where hand-labor, with its "ennobling influences," persists the majorities are dangerously close to slavery yet. Any intelligent traveler will find this out if he will take a swing around the circuit outside western civilization.

Machine brings better health

WHAT the intelligentsia seem to want are "the good old days" when the cobbler worked at his bench 16 hours, ate three meals at his work, lived in a stuffy, airless room and enjoyed his "creative freedom." Great stuff, that!

London, 200 years ago, was largely one of these "ideal handcraft" cities of the "good old days" variety. Then the industrial artists had "pride in their work" and disease in their systems—for the death rate under those "ideal working conditions" was 50 to each 1,000 of the population as against 12¼ today under the machine.

The machine has brought life, not death, as its critics would have us believe.

Are we a nation of mere "machine tenders"? In 1910 we had 41,615,000 people employed in the United States; 7,972,000 of these were workers in factories, while 827,000 more worked at other enterprises connected with factories, giving a total of about 9,000,000 men and women engaged in working with and about machines.

Of these nearly nine millions, the highest estimate we have seen of actual machine tenders is 4,500,000. Our population in 1910 was 105,711,000. The "machine tenders," therefore, amounted to only about 4½ per cent of the population, or 13 per cent of the total number of employed persons in the United States.

We do not concede it, but granting that this 13 per cent of employed were more or less slaves to the machine, it is interesting to compare the conditions that existed in the Periclean Age of Greece, where there were 5,000,000 free men and 12,000,000 slaves. It took 70 per cent of the population as human slaves to produce the Golden Age of Athenian culture, whereas only about 4½ per cent of our population work at the machine, and I maintain it is neither so strenuous nor as enslaving as ordinary labor in the open fields or in the blacksmith shop.

4. *The factory system is undermining the health of industrial civilizations.*

It is interesting to observe that, with modern machines, ventilated factories and a regard for the health of the "machine bound" man, the healthiest occupation in all England is the manufacture of glue and fertilizer. The most modern machine on the horizon is found in the electrical field. The death rate among electrical workers is exactly 50 per cent below that of the country at large. Following the glue and fertilizer workers, there come, in order of health, electrical workers, preachers, gardeners, farmers, teachers, doctors, and lawyers.

The linotype machine was invented in 1887. At that time typesetters were working 12 to 14 hours a day. By 1903, there were 7,500 of these machines in use. The hours for setting

(Continued on page 68)



NO ONE has yet made a successful machine to lay bricks. Is there a virtue in that? Shall we fight against the machine because it may take this man's job away? Or shall we hope for a machine to lay bricks and at the same time seek to find this man a job for equal or higher wages tending the new machine, or in the buildings the new machine will build at a new low labor cost in hours?

Must man confess defeat and admit that he cannot control the machine his own brain has devised?

Why Business Men Fall Down

By ANTON J. CERMAK

★ YOU HAVE heard of the town where the people became madder and madder at their local government because elected officials seemed to consider the City Hall a private merry-go-round from which they collected all the nickels. Finally, unable to stand it any longer, the people said:

"What we need is a good, strong business man for mayor. We want this town run on business principles."

A committee of the best people determined to round up a good, strong business man. They found him. He climbed a tree trying to escape, but they made him play, because he rang the bell on every count. He had made his money in the old home town, and spent a lot of it in the same place. His employees worshipped him—more or less—and the church pillars would have been minus one without him. No scandal attached to his name. He "got things done." A real go-getter. Best of all, he had never been in politics. No pitch from *that* pot was on him. In short, he was an ideal candidate.

He was nominated, won hundreds of votes by refusing to kiss the babies, and was elected. The people heaved a sigh of relief and thanked God they had cleaned house. Now things would happen!

Months passed. It was blasphemy; but one citizen and then another began to realize that the new administration wasn't so hot. Whenever the mayor opened his mouth, the right words came out.

He punished the bad people unmercifully—in the newspapers. Police raids were numerous and well advertised—both after and before. Crime continued to flourish. Economy and efficiency reached a certain point—and there the mule balked.

The good, strong business man stepped out of office at the expiration of his term, ready to fill a five-foot shelf with his private opinions about politics and politicians, provided his



Birthplace of Anton J. Cermak
in Prague, Czechoslovakia

publishers would print the books on asbestos paper.

The American people have this curious and illogical quirk:

For managing a business, they demand an expert business executive.

For legal work, they insist on a trained lawyer.

For surgery, preaching, plumbing, or what not, they want an expert in that line.

But when it comes to politics, they agree that if we only got rid of politicians, whatever else is wrong with government would soon be all right.

"Primarily a politician"

A NEWSPAPER writer who meant to pay me a compliment, once wrote in his paper, "While Cermak is primarily a politician. . . ." In spite of that, he implied, there had been some improvements! I think the general view needs challenging—twice: on facts as they are; on facts as they should be.

Politics is one thing, business another. If you call them "games," the rules are different. I have played both games, and I know that a business man who is a champion at knocking the business tennis ball over the net, often can't drive the political golf ball as far as the bunker. Not because he couldn't learn

if he tried, but because he doesn't try—until too late. When he does take up the game in an emergency, he finds that the office boys around the place can beat him with one hand. He doesn't "savvy." Today, in dozens of cities across this country, the Government is terribly in need of men who do "savvy," who have the business temperament and political skill.

Let's say, as everybody is saying, that business desperately needs government action of the right sort, nationally and locally. Not more laws, but less government, lower taxes, fewer public services, fewer public servants, less money pouring like Niagara into public treasuries. The need for re-

ductions is so obvious that a blind man can see it through a brick wall; but are reductions coming thick and fast? Hardly. A few here and there. But only a few. Why? Because politicians hate to bite off their own noses. And they're playing the game their way and can beat the best in the field—for a while. The question I am raising is, why don't more business men learn the political game?

Take a look at some of the differences between business and politics.

Business is organized on the army principle. The head man is a general who gives orders. He may not be crude about it, but just the same, the penalty for disobedience or failure may be loss of the job. Direct action means something under those circumstances.

A public official, on the other hand, may have a few people he can fire, but not many. And he can't fire the important ones—not the ones that he would sometimes give his right ear to fire! He has to work with men who have been elected as he was, or appointed for terms which endure unless terminated by proved offenses or death. They call the people their boss, just as he does. When the only way to fire a man is to vote him out, it's a long and uncertain business—and your politician knows it! That's why, to get anything done, the

in Politics

Mayor of Chicago

MAYOR Cermak has been in politics since he was 19 years old. His experience convinces him that the best possible office-holder is a politician. If business men aren't satisfied with the present arrangement, there is only one thing they can do. In this article he explains what that thing is



KEYSTONE-UNDERWOOD

"I went into politics because I saw how it would help my business"

tion. The mayor, as a city's chief administrative officer, is charged with the public safety. In a certain city—any city—crime is a burning issue. Theorists can talk till they are purple at the gills, but the way to fight crime is to fight crimes and criminals.

Hard to enforce laws

ONE night a cruising police patrol spots four gunmen in a car. The patrol gives chase. When run to the curb, three of the gunmen leap from the car on the sidewalk side without putting up a fight, abandoning their guns in the car. The fourth, known to the police as a headline hoodlum, has to get out on the near side because a policeman is there with a gun in his ribs. The hoodlum has no time to drop his gun in the car, but manages to let it fall to the street after he alights. The policeman picks it up, and locks up the man on the charge of possessing a revolver with the serial number filed off. A penitentiary offense. The man is arraigned in court presently, and the judge and the witness (the policeman) say something like this:

Judge: "Whose gun is this?"



SHOEMAKER IN CHICAGO DAILY NEWS

"Reason for Hope"—a Chicago opinion of the author

head man has to pull wires, "bring pressure to bear," and use all the tricks that make people shudder. Any man's success as a public administrator depends largely upon his doing this day

in and day out in the interest of good public service. If he's no good at it, there's a dog fight from the time he gets in; and little is accomplished.

Take a simple case of political ac-

Policeman: "This man's—" indicating the hoodlum.

"Did you take it from him?"

"No, he dropped it, and I picked it up."

"Did you see him drop it?"

"Well, no, I didn't actually see him—"

"Then how do you know it's his?"

"Well, I'm not sure."

"The prisoner," says the judge, "is discharged."

Anybody with common sense knows the public has not been well served here, and I hold the private notion that good politics and good public service are always the same thing in the long run. What would the average business man do if a thing like that occurred in his bailiwick? Somebody would lose his head.

But the mayor can't fire a judge. It's a tough job even to fire a policeman. It doesn't do any good to tell the newspapers how naughty the judge and policeman are.

Well then, let's try a little old-fashioned "political" action. Suppose we transfer the policeman to one of the goodbye stations on the edge of town, out where the rabbits are. Maybe the fresh air will clear away some of the cobwebs that caused him to be so indecisive as a witness, and the news is sure to run through the department. Suppose we look up a "friendly" judge and get the case against the gunman

That's a "political" job. One of the little things in the day's work.

Here's another. An administrative board is controlled by hang-over appointees of the previous administration. Not being in sympathy with an economy program, they do everything to block it. The time comes when two of the old appointees have only three more days, and one more meeting, to serve. The men who replace them will probably give the administration a working majority. What, if anything, will happen at that last meeting?

Politics only will help

IT develops that they are going to vote a certain clerk into office for a six-year term. Not a particularly objectionable man, this clerk. However, he is closely allied with the old administration, and in a key position will be able to hinder a lot in little ways.

What to do? Sit and "wish they wouldn't?" Cry about it to the newspapers? Well, an experienced politician immediately begins to think about men—the men the inexperienced man in office wishes he knew better and doesn't—the men whose votes are going to swing that issue. The politician knows them, of course. Or he knows people who know them.

He asks himself, "what are their interests? Who are their friends? How can they be 'got at'? What pressure

the opposition and the day saved.

More than anything else I know of, politics is a game of knowing men and what they want, juggling, giving and taking. Of course such phrases as "bringing pressure to bear," "getting at" somebody, "pulling wires," have a sinister sound for the layman. But they are merely recognized rules of the game, not half as bad as they sound, and to become expert in their use requires years of practice, backed by knowledge of particular men and situations. The good, strong man from business, unless he learns quickly or gets an expert politician as his lieutenant, never quite knows what it's all about.

I have often wondered what a business man would have made of the mess I stepped into when I became mayor of Chicago. It was a financial tangle of the worst kind and, therefore, a ripe melon for a financially-minded business man so far as analysis of the problem went. A reassessment of real estate had delayed the collection of taxes more than a year. We had run into the depression, so that when collection of taxes finally began, they didn't "collect" fast enough. The city had been extravagant, and its credit was shaky. When we came into office early in April, 1931, although only about one-fourth of the year was gone, 45 per cent of the year's appropriations had been used up.

Politicians as diplomats

NOTHING under the sun but politics could make a dent in such a problem. It was dynamite to deal with. Easy enough to decide what to do, if you please. But deciding and doing are different. Pay rolls had to be reduced. Thousands had to take pay cuts. None of the things that absolutely had to be done could be accomplished by signing a proclamation. Ordinances had to be prepared—and passed in a hostile atmosphere. It was necessary to get several enabling acts passed by the State Legislature—still with shells in the open and torpedoes under water.

It has been my experience that business men, even without special experience in politics, can be invaluable advisers. They can tackle a problem and tear it to pieces and decide what ought to be done. Whenever I have had a problem beyond my knowledge or requiring expert handling, I have made it my practice to appoint a committee of the best people available, and business men have given admirable service.

The police of Chicago had to be taken out of politics. I argued that they belong to the people, not to any party or faction, so I entrusted the first step to a committee of citizens, purposely non-partisan, which was headed by one of our ablest business men, Sewell Avery. This committee made an exhaustive study of the personnel of the de-



"Politicians are mostly decent, respectable fellows with a genuine feeling for their families and their friends"

reinstated. Finally, suppose we persuade the police to do something. A squad of police goes out armed with tear bombs (they have to toss several before they are through) but they capture their hoodlum and bring him in wearing the very same gun he had before! He gets a penitentiary sentence.

can be brought to bear on them? Suppose we call up so-and-so and tell him such-and-such a thing."

Threat. Promise. Plea. Maybe there will be a hundred telephone calls, all told. And maybe by pulling just the right wires at the right minute, one vote or even two may be swung away from

partment, and recommended as chief an officer whom I had never met, Capt. James P. Allman. I sent for him, and appointed him. He reorganized and created a police department that, authorities say, is equal to the best.

As expert advisers, business men are fine. But I think it is "good business" for business men to go further yet. Politics has the job of managing the common business of us all, government. Let them, therefore, take an active part in it if they want it run right. Let them start at the ground and work up. Find out what it's all about. People have said to me:

"You aren't in it for your health, I guess."

I reply, "No, nobody is in anything for his health. Unless it's a hospital."

Helps business

I WENT into politics because I saw how it would help me in my business because I am a business man and always have been. When I was 19, I started a little teaming business in the southwest part of the city. I had one team and one wagon, and hauled waste wood, ashes, coal—anything to pick up a living. Our part of the city was flat prairie, grown up to weeds, undeveloped and unkempt. We needed sewers, streets, sidewalks. I circulated around and got in touch with various people, and we organized a little improvement association, to fight for these improvements. I was made secretary, and was thrown for the first time into work of a semi-political nature. I noticed that my activities put my name prominently before my neighbors, and brought me a few customers who had not patronized me before. Also, it brought all of us the improvements we needed, which in turn brought people and business in our direction.

Magnify that beginning and you have the whole story of why, although always a business man, I have also been "primarily a politician." I made slow progress in politics. I was an election clerk, precinct captain, secretary (later chairman) of the ward organization, ward committeeman. The college graduate who goes into business doesn't become vice president the day after tomorrow; and in politics, a man has to take his turn and learn how the game is played, from the bottom up, also who the players are, and their characteristics. It was not until 1902, ten years after the improvement association days, that I was sent to the State Legislature, my first elective office.

I found going into politics "good business." That's natural. A lawyer, for

example, who becomes his party's candidate for alderman, becomes known and is usually respected. People like to have him do their business. They think he has "influence." He hasn't—much. Not in the way they mean. Yet he can do a lot for them through his knowledge of how the city's affairs are run, and through his acquaintance with those in authority. So I, in the same way, got customers. Besides, I kept an eye on my own interests insofar as they were tied up with governmental activities.

The common objective is that politics is a black kettle. I have heard the *Yale*

IN describing "shrewd business" methods, Mayor Cermak lists some practices which we feel are far less common than he intimates and, if they exist, are condemned rather than condoned by business men. We have let that part of the article stand, however, because we felt that the point he was making was important, even if we could not agree with the examples used in proving it

News quoted, to the effect that the "better element" would never go into politics in this country because it is too dirty. I know business men, taken into public office, who will not permit their own firms to enter bids for public contracts, though they would not bat an eye over the same thing in business.

When I was president of the Cook County Board, I thought I would do something about the supposed shenanigans in public contract-letting. Previously, bids had been received at 11:00 o'clock in the morning, and the Board convened at 2:00. Everybody expected the worst to happen between-times. I had a glass-sided ballot box placed in the Board room, and had it locked with a good, healthy padlock. Contractors were instructed to bring their bids at 2:00 instead of 11:00, drop them in, and remain while the box was opened and the bids considered.

The misconceptions that exist about politics are tragic, because, although there is some truth in them, it is exaggerated, and scares away good men who are needed. There is no use blinking the fact that to be a politician is to be suspect, yet I give it as my honest conviction and experience in both business and politics that there is less graft in politics than in business.

There's a reason for this. The penalty for graft, if found out, is far more severe in politics. Here's a city officer, we will say, who is caught trafficking with offenders against a law he is oath-bound to enforce. For a fee, he lets some of them escape prosecution. In politics there are always sharp-eyed rivals, the other party, eager to "get something" on someone. When administrations change, there may be a prosecution, and that guilty man may be sentenced to jail. Then, won't the newspapers play up the case!

In business there is no two-party system—not often; and the newspapers do not have the same day-to-day, perpetual interest. The head of a certain corporation, we will say, is "shrewd." He owns just ten per cent of the stock of his company, and has a variety of other interests. His company, we'll say, has to buy a lot of left-handed monkey-wrenches. The business man organizes a little company of his own to make left-handed monkey-wrenches, and sees to it that the corporation buys *his* wrenches—at a nice profit.

That is a shrewd stroke of business. He is far-sighted. But let anything like that happen in politics! . . .

Again, at a directors' meeting, this far-sighted executive engineers a deal to buy a certain piece of real estate as the site for a new factory. He does not say so, but he owns the plot, through a dummy, and the price the corporation pays will include a nice profit for him.

Few wear horns

IF BUSINESS men honestly feel that the tone of politics is too low, I know of no way to raise it except for good men to get into it. I can testify that I have never seen a two-legged politician wearing horns. They are mostly decent, respectable, pleasant, honest fellows, with a genuine feeling for their families and their friends.

We need fewer bad politicians, of course, but we also need more good ones. Politics—the game as it is played—is good fun. It is profitable—not by way of graft. By taking a hand in it, a man is really looking out for a business in which he has a hefty interest—the government. The problems that are causing business acute distress now would be settled far sooner, if more business men had started early to learn the political game. Some day it will not be considered a disgrace to be known as "primarily a politician." It will be better for the country and for many of our cities when that day comes.

No Business Can Escape Change

✓ **Huge bells**, bell towers, massive clock movements are no longer needed to toll the passing hours. Loudspeakers and other equipment have now been devised to amplify sound impulses from tiny bells or chime tubes, imitating perfectly the sound of heavy bells. . . .

Both a new shuffle and a new deal are offered by an electric bridge table now on the market. Just slip the cards into a drawer and they're automatically rearranged and dealt. . . .

There's also a new service tray just the size of a bridge-table top. It can be set for refreshments in the kitchen and when the game's done be placed atop the table. . . .

"Straw" hats made entirely of cotton—even to the lacquer with which they're finished—will be marketed next summer. Made of cotton braid, they closely resemble Panama-type straws. . . .

For the ladies: A reversible gas range which can be set up with the oven on either right or left side; a rubber bumper for dust-mop handles—it helps in knocking dust from the mop by supplying some extra bounces; a comb for purse or dressing table, compact, S-shaped, with teeth set between the curves on either side. . . .

A new insulated kitchen range also heats the house. It has an electric fan which supplies air circulation and forced draft when needed, a second firepot for use in very cold weather. . . .

Colored aluminum cooking utensils are now available. One item in the line is a Dutch oven which has an observation window built into the cover. . . .

Milk can now be pasteurized by passing an electric current through it. The apparatus is simple, compact, efficient. . . .

Milk bottles are dressed in Cellophane seals by a new machine. It forms the seal tightly over the neck of the bottle, holds it in place by a strip of colored tape. . . .

An electric motor has been designed which is splash-proof, yet adequately ventilated. Water may be splashed on it under high pressure and from any angle without wetting the inside. . . .

A process of continuous gas carburizing has been evolved. It permits quantity production, eliminates disadvantages of the old pack methods of carburizing, effects new advantages. . . .

New office aids: A duplicating machine which turns out more than 100 copies—50 a minute—direct from typewritten original; a stamp pad which keeps itself inked from a reservoir. . . .

A new brick scale enables architects to lay out brickwork directly in units of brick sizes, also enables estimators to scale plans and to estimate immediately the number of bricks required. . . .

A little push goes a long way, even in mud or sand, with wheel-barrows equipped with a new low-pressure tire. There's also a new easy-going, lightweight lawnmower, made of aluminum alloys. . . .

A new coating for spray booths prevents surplus paints or lacquers from adhering to booth surfaces, permits booths to be cleaned quickly by steam, water or scraping. . . .

Calibrations and numerals on a new line of laboratory glassware are made easy to read by fusing into them a durable brilliant blue glass enamel. . . .

RING out the old, ring in the new—but the swaying bells may be relegated to legend, architecture of public buildings be changed by a new device noted here. So goes the story of this modern world

"Painty" smell has been replaced by a pleasant odor in a new quick-drying enamel. Another new, outside paint uses tung oil as its vehicle instead of linseed oil. Then there's a new varnish, said to make insulating pads unnecessary on table tops. It's resistant to heat, alcohol, weathering. . . .

Metal shipping containers for certain paints, lacquers, solvents, etc., have had to be tin plated to resist corrosion. Now there's a new organic coating for these which resists many corrosive and solvent conditions, makes tin plating unnecessary. . . .

A new ventilating unit for foundation walls consists of a cast-iron grill backed by nonrusting screen and a hinged sheet-iron shutter. . . .

A new in-swinging casement window is fitted with spring bronze weather stripping, is said to be weather-tight and leak-proof. . . .

Even high wind pressure doesn't impede the action of a new easy-opening, positive-closing door for building entrances. It requires less outward swinging space than the usual door. . . .

An appliance has been developed for opening and closing heavy double sash windows by the pull of a cord. . . .

A new wooden shingle resembles ceramic tile in shape and finished appearance, can be applied over old roofing. . . .

Small safes are now being made that can't be carted away by burglars. They're installed right in the concrete floor of service station, chain store or home basement. . . .

A new driveway signal for service stations notifies attendants of a customer's approach, can also be made to light up a sign. A photo-electric relay turns the trick. . . .

Driving screws in dark corners is made easy by a new screwdriver. It has a flashlight built in its handle. A new battery filler uses a similar idea, directing a beam into the battery cell. . . .

Unfolding a new die-cut mailing folder causes figures to stand out against their background, gives the effect of three dimensions. . . .

A new machine engraves your signature on your fountain pen. So marked, your pen identifies you—you show the pen, then duplicate the signature on paper. . . .

—PAUL H. HAYWARD



A nickel in a slot actuates a new automatic bank depository. The depositor gets a receipt, credit for his nickel

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any item can be had by writing us.

Let's End the Price Stampede

By P. A. O'CONNELL President, National Retail Dry Goods Association

**CAN quality release hoarded buying power?
The backers of the National Quality Movement believe it can do that—and more**

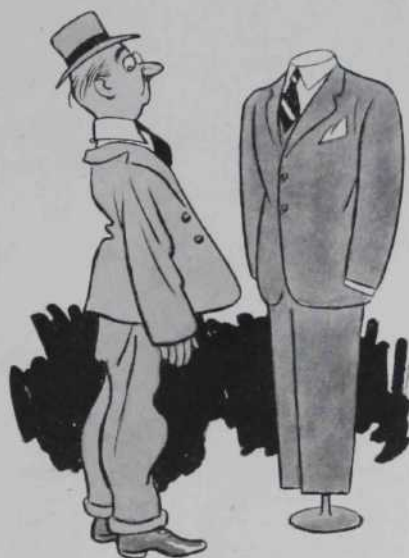
✓ EXPERIENCE of the past two years has brought home to merchants, manufacturers and consumers the old truth that price is not a true yardstick of value. Over a long period quality had become so dependable that few people thought to question it. Reputable stores built up their patronage on rigid quality standards. Manufacturers became known for the quality of their products. Some were finer and more expensive than others but all the well known products, at least, contained the essentials of quality that gave satisfactory service.

In like manner every reputable retail store could be depended upon to maintain the quality standard for which it was known. Under such conditions the consumer was able to judge value largely by the price. From experience he knew the other factor, quality.

But about two years ago, quality standards gave way. Consumer buying power had fallen. Forgetting that quality might also be changed, the public cried for lower prices. Many reputable merchants, seeing their trade vanishing, became panic-stricken and joined the stampede for price. Manufacturers were told to make merchandise to a price. To do so, they reduced the quality. Once started, the downward slide gained terrific momentum. All thought of quality seemed forgotten. Price appeal became the theme of all advertising and merchandise promotion.

Last spring the bottom was reached. Consumers found that much of what they had been buying was not worth even the small prices paid. People became suspicious of all merchandise. They lost faith both in the stability of prices and the real value of the goods offered. Trade was at a standstill.

It was then that a group of merchants and manufacturers who from the early stages had foreseen the inevitable disaster of price rule, were given their first opportunity to be heard. Individually at first and later in organized groups



Disgusted with cheap goods the public doubted all merchandise

they urged the return to quality as the way to recovery. Psychologically the time was right. Gradually the movement took hold. The note of quality began to appear in advertising. Because the quality appeal was sound and represented what people needed, it paid those who used it, and backed it up with quality goods.

A movement for quality

UNDER the leadership of the National Retail Dry Goods Association, with a membership of nearly 4,000 retail stores, the new word has been spread. Early last fall a nation-wide campaign, the National Quality Movement, was launched at a meeting attended by manufacturers, retailers, publishers, and representatives of the consumer. A complete program was laid out. A brochure describing plans for the movement has been mailed by the National Retail Dry Goods Association to all members and to all others cooperating.

A committee of 100 business execu-

tives has been organized to guide and give impetus to the program. Plans have been developed for local community action to tie in with the national movement. Expert copy writers have prepared copy that may be adapted to local advertising. Suggestions for display have been made. Merchants in each community are urged to meet to discuss the campaign and adopt ideas developed by the committee and the Association to local use. Retailers and manufacturers are urged to talk quality and to merchandise quality goods.

Not only the merchants but most of the important manufacturers are contributing to the fund necessary for educational publicity. Newspapers and magazines are giving support. Trade associations, chambers of commerce and merchants' associations are joining in the campaign.

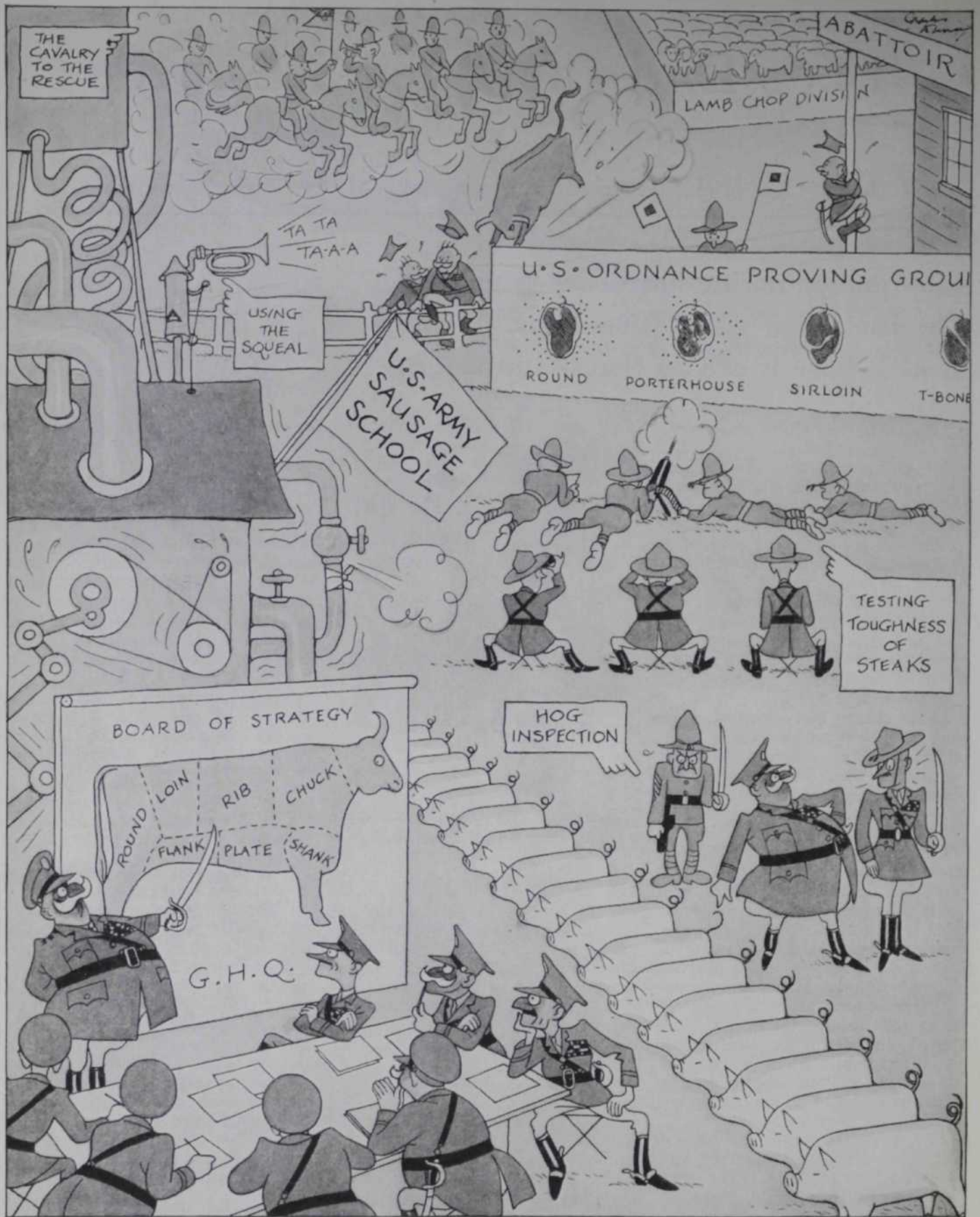
The first objectives of the movement are:

1. To focus public attention on the superior value of quality merchandise, driving home the truth that value, not price alone, must be the real consideration in buying.
2. To show merchants and manufacturers the folly of offering merchandise that will not give satisfactory service.
3. To bring back the quality standards in all types of merchandise.

The return to quality should be the most effective step any group can take to speed business recovery and bring back prosperity. Looking backward, we now can agree that a basic cause of the recent depression was the effort of the majority of the people to get something for nothing. So also is the reverse true; the way out of depression lies in giving full measure of useful goods and services for value received. This means not only honest representation, but selection of that type and quality of merchandise that will give most economical and satisfactory service. Unless each group of people and each division of business receive full value and unless each group can have confidence that full value will be given, there can be no economic balance or recovery.

Quality merchandise does most to stimulate consumer confidence. It creates the desire for ownership and breaks down fear and uncertainty. Advertising the demoralization of prices induced

(Continued on page 69)



Our Inquiring Taxpayer ★ No. 1 ★ HE wonders why the War Department operates a slaughterhouse and sausage factory turning out 3,082,651 pounds of dressed beef and by-products in the 1932 fiscal year, valued at \$410,447.28, in addition to numerous side lines such as coffee-roasting plant, an ice-cream and milk-bottling plant, a laundry and a bakery. He is somewhat bewildered. He has heard of beating swords into plow-shares, but the idea of beating bullets into biscuits is something that is rather hard to swallow. Our artist has caught herewith the taxpayers' befuddled conception of the business of combining National Defense with the Fabrication of Frankfurters.

Published at Washington by the Chamber of Commerce of the United States

Charting the Course of Business . . .

WE ADVOCATE an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government, and we call upon the Democratic party in the states to make a zealous effort to achieve a proportionate result.

—from the 1932 platform of the Democratic Party

A shorter work week . . .

★ ENGLAND was once thrilled by the battle cry:

Eight hours for work,
Eight hours for play,
Eight hours for sleep,
Eight shillings a day!

A century ago a 48-hour week for \$12 was a workman's dream of paradise. Now the American Federation of Labor demands "the universal adoption without delay of the six-hour day and five day work week." The convention further recommends

that such reduction in labor hours should carry with it no reduction in pay, but on the contrary wages should be maintained and steadily increased in keeping with the expansion of productive efficiency.

This is organized labor's answer to "technocracy," the group of engineer economists who are warning us that the machine has brought us to the end of an era and that the price system is doomed. But the technocrats would push to one side the Federation's call for a 30-hour week. A waste of work time they say.

All this country needs, according to the technocrats, is that the adult population between the ages of 25 and 45 should work 660 hours a year (little more than a 12-hour week) to provide us all with a standard of living "ten times above the average income of 1929."

If technocracy is right, or even partly right, it is a challenge to our intelligence to devise a plan by which we shall work less and enjoy more.

If human intelligence can devise a machine that will employ six men in three shifts, can in 24 hours tear up eight miles of old pavement and relay eight miles of new, 60 feet wide, is it too much to expect human intelligence to put that machine to work without destroying a civilization or turning out thousands of men to starve?

Economy in government . . .

★ TYPICAL of the popular mind about the Chamber fight on taxation is this extract from a review in the *New Republic*

of William P. Helm's book, "Washington Swindle Sheet" by Paul Webbink, one of Senator LaFollette's staff:

If "Washington Swindle Sheet" were an isolated journalistic stunt, it would merely provide an hour's entertainment. It happens, however, to fit in nicely in tone and point of view with the determined and increasingly successful drive, ostensibly led by the Chamber of Commerce of the United States and its publication NATION'S BUSINESS, to discredit generally government expenditures and governmental action. This drive, which has gathered the support of a host of particular interests opposed to sundry specific measures of social legislation and economic regulation, promises to bring upon Washington next winter a lobby even more powerful and more persuasive than that which will be trying to cajole Congress into the acceptance of a general sales tax.

It is pleasant to be told that the drive is "determined and increasingly successful" even though it is only "ostensibly" led by this magazine.

"Ostensibly" will do, for NATION'S BUSINESS is much more interested in getting results than it is in getting credit for them.

But as we have said the writer is wrong in saying that the purpose of this magazine or the Chamber is "to discredit generally government expenditures and governmental action."

Expenditures that are wasteful? Yes. Action that is unnecessary and improper? Yes. But all expenditures and all action, *No!*

Deeper into Socialism . . .

★ IT IS a thankless task to criticize the labors of the Committee on the Costs of Medical Care headed by Secretary-Doctor Wilbur of the Department of the Interior.

The descent into paternalism and from paternalism into socialism is easy—and doubly easy when the way is greased by sentiment, by the desire to better the health of the community, by sympathy for suffering, by the knowledge that costs of medical care fall with crushing effect on the overalled and white collared poor.

The Committee would have medical service provided largely by "organized groups," an extension of the already increasing method of practice through clinics.

How pay for this group service?

Here's part of the Committee's recommendations:

1. Voluntary cooperative health insurance, in which organized groups of consumers unite in paying into a common fund agreed annual sums, in weekly or monthly installments. . . .

2. Required health insurance for low-income groups. . . .

3. Aid by local governments for health insurance. Part of the people, because of their low income, cannot pay, even on a periodic basis, the full cost of complete service in cases where the community relies for the provision of medical service primarily

upon the purchase by its people of voluntary health insurance. Such communities may well use tax funds to the extent necessary to supplement the payments of these low-income families. When health insurance is required by law, it may also be necessary and desirable that a contribution be made from government funds.

The socialism of medicine is but a step toward the socialization of industry.

To tax A to pay B's doctor's bill is an appealing plan particularly when we put it on the ground of conserving public health.

But why not then tax A to pay B's food bill since it is nutrition that is essential to health?

It is comforting to know that the doctors themselves are in revolt at the Wilbur report.

High expenses make credit low . . .

★ NEW YORK CITY is having trouble paying its bills and wishes to borrow money. The banks are hesitant about lending.

It isn't that the city's credit isn't at the moment good. The trouble is that the city's expenses keep increasing. In the decade from 1922 to 1932 its charges for personal service (salaries mostly) went up from \$200,000,000 to \$360,000,000, about 80 per cent.

Put yourself in the city's place and go to your bank for a loan. Your banker asks:

"Are you keeping your expenses down?"

"Well, no, we are not. We've raised all of our salaries about 75 per cent and we've put on a lot more men in the last ten years. Of course, sales are off quite a bit, but I'm sure we're still solvent."

How far would you get with that?

About where the City of New York is getting when it is told to go back and cut unproductive expenses if it wants to borrow money.

We do business by barter . . .

★ GOING through the daily newspapers one comes across items that take him back to the days his grandfather told him about, when the farmer took his produce to the store and traded it for sugar, coffee, calico and other necessities.

In a country as full of money as ever, men are trading their work or their belongings for other men's goods. Here are some items:

In Chippewa, Mont., a farmer got five gallons of gasoline for two dozen eggs, five pounds of butter fat, and ten bushels of wheat.

At a shirt sleeve exchange in Oklahoma a tree surgeon reported that he was paid for five hours' work with ten cents in cash, a dinner and a variety of clothing.

He turned in the clothing in return for things that he could use.

The head of a stock exchange house had a customer offer him diamonds in lieu of cash with which to reopen an account.

Another broker took a country home in return for an old debt.

In New England, school fees have recently been paid in potatoes.

The editor of a Tennessee paper has announced that he will take anything for subscriptions except axe handles and skunk skins.

And this in a country in which money is as plentiful as ever.

International barter, too . . .

★ A DESPATCH from Paris reporting the meeting of the Council of the International Chamber of Commerce brings

home vividly the plight of Europe. The meeting was to have been held in Vienna, but in some countries it was not possible to send delegates because money could not be raised. Other countries could not pay dues because the export of money was forbidden.

This condition in Europe, this international hoarding, is working to bring about large scale barter and barter between nations.

We traded wheat for Brazilian coffee and a German Syndicate swapped 500,000 tons of coal with Brazil for the same commodity.

A Soviet trade agency offered to buy \$5,000,000 worth of aluminum from the Aluminum Company of Canada if they might pay for it with \$3,000,000 in cash and \$2,000,000 in coal.

Hungarian weavers wanted cotton yarn from Great Britain but couldn't pay with anything except farm products, especially pigs.

Egyptian banks engineered a trade of raw cotton for German nitrates.

In Czechoslovakia resorts issue coupon books for a lump sum because tourists cannot get cash to take with them for separate purchases.

More than 30 countries in the world have restrictions on foreign exchange which make it difficult for foreign traders to do business.

Strangling laws in the embryo . . .

★ FROM time to time this magazine has insisted that there were too many laws, that the tendency whenever anything went wrong with the world was to seek to cure it by some legislative panacea, as a doctor might undertake to control symptoms and ignore the causes that produced those symptoms.

A thoughtful reader of this magazine and of history sends us this quotation from Gibbon's "Decline and Fall of the Roman Empire" as a possible way of limiting new legislation:

A Lorcian who proposed any new law stood forth in the assembly of the people with a cord around his neck, and if the law was rejected, the innovator was instantly strangled.

If all the members of the Congress who introduced bills that never became laws were hanged, we should have either no bills or no Congressmen.

Two extremes in selling . . .

★ TWO items about distribution on motor cars in one issue of a morning paper.

Montgomery, Ward & Company of Chicago are considering the selling of an automobile by mail at a new low price.

Cadillac announces that it will make only 400 sixteen-cylinder cars this year and that each will carry a plate with the number and person of the man for whom it was made.

Mass distribution by mail order and the limit of exclusiveness. What a contrast!

Many have wondered why automobiles have not been marketed by mail-order houses or by chains of department stores. The question of service has probably been a factor, but a chain of stores ought to be able to handle service.

It is recalled that Wanamaker had an early Ford agency in New York but lost it or gave it up. In late years the same store has handled motor boats.

Socialism in a worried world . . .

★ TALKING recently to a conference of Universities, Thomas W. Lamont of J. P. Morgan & Company, said that he didn't wonder that the college youth of today was inclined to seek new remedies for the economic evils of the world. A freshman of 18 he says spent his babyhood in a

world of wholesale slaughter; at five saw an uneconomic peace full of seeds of trouble. The rest of his life he has gazed "upon economic warfare waged in Europe more destructive to commerce, to stability and to an ordered life than the Great War itself."

"I hear complaint," said Mr. Lamont, "that our college professors are teaching too much of socialistic theory. That would not be my observation."

"These are days when among the teaching forces of our institutions the freest sort of academic freedom should prevail."

What Mr. Lamont would have is that these youngsters who were born into an economic whirlwind should be taught also to use the scientific method which "proceeds by experimentation, by making a disinterested search for truth, by getting the facts and seeing where they lead."

In that way we shall win out, not by "a grand leap into socialism," but by rebuilding "on the basis that is still under us."

This is Mr. Lamont's very sound conclusion:

"We can say that the American economic community has done far more extensive planning than it ever did 40 years or 20 years ago."

"We have seen, however, that it has fallen short. Yet, that does not mean that, while in the modern world we may well have come to a turning, we have come to the end of the road."

Business planning . . .

★ PROFESSOR Charles A. Beard had something very sensible to say in *The New Republic* recently about the "Liberals" (the quotes are Professor Beard's) and their inconsistencies.

They were inclined, he says, to throw their hats in the air when the United States Supreme Court upheld the Indiana law to curb chain stores by taxation. Behold, the Liberals said, the Supreme Court is on the side of right and the Liberals and Justice Hughes and Justice Roberts are with us.

Yet, says Professor Beard, these same Liberals have been "flirting with the idea of planning for business as a way out of the crisis."

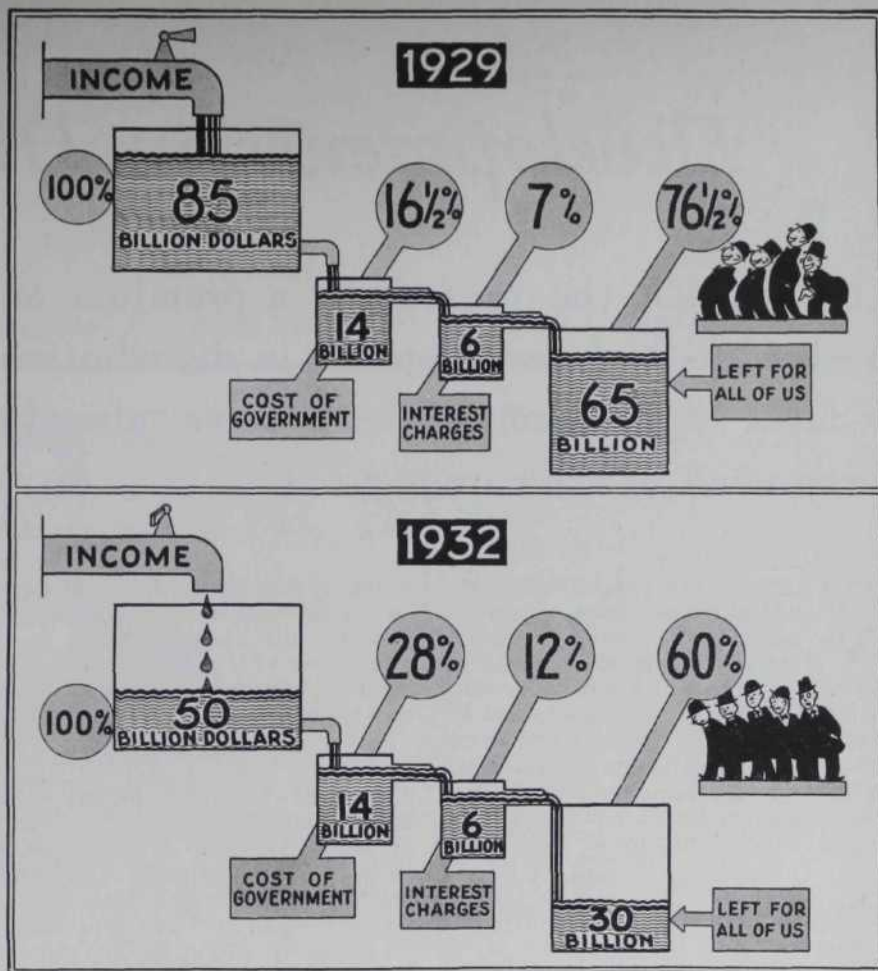
And where, Professor Beard goes on to ask, is there greater need of planning than in retailing and where is there greater evidence of planning in distribution than in the chain store?

Says Professor Beard:

"These establishments . . . are making use of the principle of the conservation of energy—the performance of retail services with the least expenditure of energy. They make direct contacts with manufacturers and eliminate as far as possible the waste of middlemen and warehousing which add enormously to retail prices."

"They introduce the blessed word 'stabilization' into the troubled retail business and, what is more important, the practice of stabilization by careful management."

Professor Beard confirms what Mr. Lamont said in the speech from which we have just quoted that "the American economic community has done far more extensive planning than it ever did 40 years or 20 years ago."



COURTESY, NEW YORK TIMES

IT'S NOT necessary to accept at face value the figures in the accompanying chart reproduced from the *New York Times*. National income may have been less than 85 billions in 1929 and more than 50 billions in 1932.

What the chart helps to make plain is why the public is so ready to join the fight to reduce government costs and why we shall see agitation in the Congress for some effort to cut the interest on farm mortgages.

Take one of those little chaps on the right who is contemplating what's "left for all of us."

In 1929 he had \$8,000 a year, owned a \$12,000 house with a \$7,000 mortgage on it. Now his income is \$5,000 but the tax bill on the house and the income tax haven't come down nor has the interest on his mortgage.

Will he approve of any drive to cut the cost of government? He will!

Afraid of business . . .

★ A SALESMAN of NATION'S BUSINESS called the other day on a merchant in the Southwest.

The merchant is a manufacturer's representative, "A specialist in popular-priced merchandise," according to his letterhead.

What was this man's complaint?

Not that he could not sell goods, but that he couldn't get goods to sell.

He produced some figures to show that in two months last fall he had sold \$42,000 worth of merchandise and was able to get only about one-third of it delivered to him from the factories, and the factories explained, he added, that they had not on hand raw material or semi-finished goods in sufficient quantity to fill his orders and were hesitant about adding labor to make up goods in advance because of general business conditions.

An extraordinary state of affairs in a time of depression, but nevertheless one that is brought to our attention not infrequently.

Developments in Distribution

TIMES LIKE the present set a premium on fresh ideas and new methods in distribution—facts which many firms have already recognized to their own profit

★ A PAINT MANUFACTURER who braved the depression with a new highly light-reflective, odorless paint wished to obtain dealer co-operation and also to eliminate curiosity inquiries. He directed his trade-journal advertising to painters, offering a sample but adding that it would be sent to the painter's dealer, where the painter might call for it. A surprising number of inquiries resulted, at a cost less than 30 cents each.

★ PRESENT conditions enable independent merchants to meet the competition of the five-and-tens, say the sponsors of a new five-ten-fifteen-cents merchandising campaign. The organization aids the dealer in staging sales through circulars imprinted with his name and furnished at cost, reports that many manufacturers unaffiliated with national chains are now able and eager to help independent stores compete.

★ "CASH and carry" plans are spreading in the department-store field. A New York store recently inaugurated a "cash and carry basement store" which sells merchandise for "at least ten per cent less than it could if it were not exclusively cash and carry." Planks in its platform: self-service; no mail or phone orders; no C.O.D.'s or charges; no free alterations; exchanges or refunds made within five days of purchase.

★ A NUMBER of organizations have tried the plan of turning every employee into a salesman. One of the latest is a New York department store which, for a period of one month, encouraged every worker to sell women's hosiery—anytime, anywhere. The month ended with non-selling employees ahead of the regular sales force in sales, the doorman particularly being well out in front.

★ AN OKLAHOMA City store spotlights some article each night in the space immediately inside its front door. The light centers attention of passersby on the featured article. It's an idea adaptable to other parts of a store, also to display windows.

★ SALES TALKS interspersed with music or other entertainment are given shoppers by a new electrical transcription broad-

casting system for installation in stores. A clock mechanism which controls the device will play the hour-long record as many times a day as is desired. The only servicing the system needs is a change of records once a week or so.

★ TROPICAL FISH may be our next fad. Several variety chains are handling them in various cities, 50 firms are importing them, they're finding places in an increasing number of living rooms. They range from the lowly guppy, at about a nickel each, to the Siamese devil fish, at \$200 each.

★ A DUAL-PURPOSE gift package has been evolved for men's garters. Made of Bakelite, it ends up as an ash tray.

★ READY-MIXED baking products, ready for the oven with the addition of a liquid, or an egg and liquid, are on the increase. Already available: ginger bread, bran muffins, devil's food, spice cake, fruit cake. Others are on the way. One maker packages a fruit cake mix in a carton-covered baking pan. Another maker says his chief marketing difficulty lies in convincing women that they can really have such a short cut in cake baking.

★ CELERY has also joined the ranks of packaged goods, at least one brand being packed in a cardboard box having a Cellophane window. Rosebushes too are being sold in a new windowed package, with roots encased in a novel inner container and surrounded by plant food. The bushes are said to keep almost indefinitely, are planted without removing the inner wrapping.

★ THE manufacturer of a new cigar-box-size radio has hit on a novel solution of the service problem. Should the set need repair within a year, one tucks a dollar in a slot and mails the set back to the factory.

★ A MANUFACTURER of a rope drive is simplifying calculations of data, discounts, prices, etc., by new dial-like devices. They're said to save many catalog pages of tables, many computations, to give such information instantly and automatically.

THE British plan of renting domestic electrical equipment instead of selling it has been applied to electric water heaters by two New England utilities, and may be extended to ranges. The plan appeals especially to families in rented homes.

★ A "GROUP Managers' Employee Business Building Plan" built \$80,755 worth of business for an eastern utility system in September, promised to exceed that sum in October. Employees are organized into teams of about 20 and turn in names of prospects for gas and electric appliances. All prospect cards are turned over to regular salesmen or dealers. Bonus and points are awarded employees on the basis of the load-building characteristics of appliances sold. Teams meet for 15 minutes about once a week under their captains, for training in customer education.

★ A LARGE coal company has introduced a new dealer franchise plan with marked success. Dealers, guaranteed supplies of coal at all times at prices predetermined for each month in the year, find that the plan does much to stabilize their business. The producing company benefits by having the bulk of each month's production contracted for at the beginning of the year.

★ AN INSURANCE company is writing a lot of new small policies these days through an old savings-bank idea. Small banks are distributed to policy holders with requests that they drop in a certain sum daily. Banks are picked up quarterly for collection of premiums. The bank used has a dial on the back, which, turned to the age of the policyholder, shows the exact monthly cost of insurance, cash value after a certain number of years, etc. On the face is a place for inserting a photo of the beneficiary.

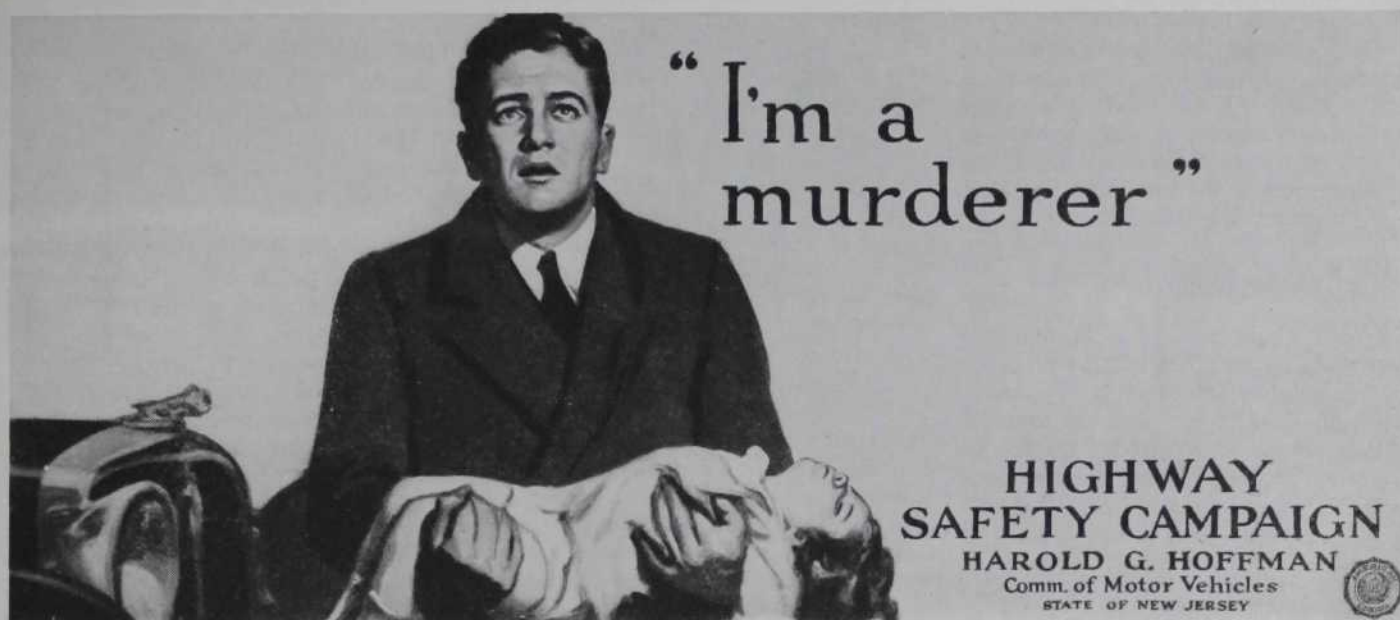
★ "GIVE-AWAY" magazines containing entertainment features and advertising are being fostered by various companies and organizations in increasing numbers. Latest is Sears, Roebuck and Company which is planning to launch a "localized women's magazine, without fictional features, intended to help women realize a fuller life." Advertising ratio to text may be around three to one. Reason for issuance: "Inadequacy of local coverage of newspapers and also the exceedingly high cost of newspaper advertising space, especially when we are forced to buy circulation far beyond the radius of effective cultivation of the locality we are organized to serve."

—PAUL H. HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.

Insuring Drivers' Responsibility

By AUSTIN J. LILLY General Counsel, Maryland Casualty Company



In 1931, the National Safety Council reports, 33,500 persons were killed by autos

★ THE AUTOMOBILE has been with us about 30 years. It always has been essentially a dangerous instrument. Control of its use has been and is a public necessity. We first tried to regulate it by adapting the laws of the "horse and buggy" era of highway transportation. It presented a new problem, however, and the old rules didn't work. To suit the new needs, we have, in the past 20 years, enacted almost countless laws and promulgated almost countless rules. The chief objectives have been public safety and convenience.

The results of these efforts, however, are not impressive. In 1931, the National Safety Council reports, 33,500 persons were killed and more than 1,000,000 injured in automobile accidents. This is 1,900 more deaths than in 1930 and probably 100,000 more injured. Each year shows an increasing number of deaths and injuries due to the automobile. The resulting economic loss cannot be calculated in dollars and cents. The 1931 loss has been estimated, for what such estimates are worth, at from \$1,000,000,000 to \$2,500,000,000.

The laws and regulations designed to prevent accidents seem to have little effect. No body of American laws is more consistently disobeyed. Educational campaigns, improved safety devices, better automobiles and modern road

THE question of highway safety is one of first importance. Five years ago Massachusetts passed the compulsory automobile liability insurance law in an effort to protect victims of auto accidents. Although this law has not been copied elsewhere, 19 other states and several Canadian provinces have adopted laws of a different type and the question of liability probably will come before the law-makers of a score of states at their coming session. Mr. Lilly's discussion of these laws, their flaws and advantages, will help business men weigh the measures proposed in their states with a better idea of costs and probable results. In California, Colorado, Indiana, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Missouri, Montana, North Carolina, Ohio, Oklahoma, South Carolina, Washington, West Virginia and Wisconsin this question will be before the legislatures

construction have failed to prevent the steady increase in accidents. They have, however, decreased the proportionate number, and we may thus have the consolation that, without these safeguards, accidents would have increased more rapidly.

Business enterprises, including trucking, bus and taxicab companies, have made some progress in their "safety first" campaigns, but the "motor menace" in general is still unchecked and

the menace of the private passenger car driver is still growing.

It is natural that this situation should produce a tendency to grasp thoughtlessly at anything promising relief. If, it came to be argued, nothing can be done to reduce automobile accidents, some method should be adopted to assure innocent victims of at least a limited monetary compensation.

It is contended, in support of this plan, that the state ought not to license

drivers who cannot pay for the damage they may do; that if all drivers had to prove at least a limited responsibility before being licensed, much relief would be afforded and injustice avoided. There is much appeal in this argument.

Two types of remedy are now in operation.¹ Both use the insurance principle. One requires all owners, except public, to provide assurance of their financial responsibility as a requirement for registration. The security must cover the operation of the car on public ways within the state by the owner or by others with his consent.

The other provides for assurance of financial responsibility only when a driver has been convicted of a major traffic law violation or when driver (or owner, as the case may be) has failed to settle—up to certain limits, at least—a judgment for damages.

Responsibility is assured

IN both plans, assurance of financial responsibility may be given by an automobile liability insurance policy covering legal liability for personal injuries, usually to the extent of \$5,000 for an accident involving one person and \$10,000 for an accident involving two or more persons, and (under certain of the laws) covering property damage of at least \$1,000. The owner or driver also has the option of posting a bond or depositing securities—which, in practice, he rarely does.

These laws do not modify the prevailing rules of civil liability nor abolish the personal injury or property damage suit. The situation as to establishing claims and collecting indemnity is exactly the same as in states which have no such law.

The first named plan, popularly known as "compulsory automobile liability insurance," has been tried only in Massachusetts. The second plan, or some form of it has been tried in 19 states and six Canadian provinces.

The Massachusetts law went into effect January 1, 1927. Insurance reports

for 1927 to 1930, inclusive, show that the insurance companies paid \$55,661,648 in Massachusetts in that period. The amount has steadily increased, mounting from \$11,925,369 in 1927 to \$16,390,858 in 1930.

Any statute which provides an annual average payment of \$13,400,000 is bound to be praised by those who have recovered damages they otherwise might not have been able to collect. It is impossible to estimate just what proportion of those who now receive indemnity belong to this class, although insurance experts believe that, even without the law, at least half the car owners in Massachusetts would carry insurance, besides which many corporations operating fleets of cars and large numbers of individual car owners are able to pay damages even though they have no insurance.

Just how many, otherwise irresponsible, the law actually has made responsible, therefore, cannot be determined, but the law has undoubtedly accomplished some good in that way.

In spite of that, however, the Massachusetts law has developed so many faults that it has not only lost supporters at home, but other states have refrained from copying it. Legislative commissions from California, Maryland and Ontario, Canada, have investigated and reported against it. The Chamber of Commerce of the United States and the Massachusetts Chamber of Commerce also are on record as opposing it.

Accidents have increased

THE indictment contains many counts. Briefly, it has been found that the law does not tend to reduce accidents but, if anything, to increase them; that it has increased claims for damages and litigation until the state courts are flooded with personal injury suits; that it has led to an organized and highly profitable system of fraud in the making of claims; that it has failed to assure payment of indemnity to all persons entitled to it; and that it has injected politics into the making of insurance rates and into the administration of the law.

The Ontario Commission explained the increase in accidents thus:

"Drivers are likely to fall into the habit of mind that, being insured against personal responsibility, their pocket will not be touched in consequence of any act of theirs and, as criminal negligence can seldom be proved, they feel they are safe from the criminal law."

Experience confirms this observation. Since the law went into effect, January 1, 1927, to December, 1931, reported fatalities have increased 18.5 per cent and injuries 74.66 per cent, while car registrations increased 20.96 per cent.

Nothing in the law encourages accident prevention. Its single purpose is to assure compensation to innocent victims. It compels insurance companies to

issue automobile liability policies to practically all who apply—the important right of "selection of risk" being so limited as to amount approximately to denial. A car owner's past record for lawlessness and recklessness seldom counts against him.

Assurance of money payments to a few who otherwise might not be able to collect is not sufficient justification for a law which actually increases human suffering.

Litigation is excessive

THE extent to which the law has promoted litigation is amazing. The Massachusetts Judicial Council reported to the 1929 legislature that "for the five-month period, October to February, 1927-1928, some 4,201 more cases were entered in the Superior Court than in the same period 1926-1927. Of this increase, 97.4 per cent were motor vehicle cases." In its report to the 1931 legislature the Council said, "The volume of litigation continues to increase. The condition appears to have become chronic."

The commercialization of automobile accidents has become notorious. In 1930, the number of personal injuries in automobile accidents reported to the authorities totaled about 44,000, yet for approximately the same period claims for personal injuries totalled some 68,000. Experienced adjusters estimate that from 25 to 30 per cent of the claims made are either faked or exaggerated. The incidental result of such a situation is higher insurance rate for honest drivers and more politics in the public regulation of the insurance business.

This law does not assure relief to those injured by out-of-state cars, by publicly-owned cars, by hit-and-run drivers or by accidents off the public highways. Twelve per cent of the 1930 fatalities were thus classified. Moreover, it is estimated that 15,000 illegally uninsured cars are at large in Massachusetts.

This law provides that the Commission of Insurance shall determine just, reasonable, adequate and non-discriminatory rates for automobile liability policies. This was intended to protect the public against too high rates and to assure the companies adequate revenue. Theoretically, this requirement should cause no trouble because experts, with the experience of prior years as a basis, can determine fair rates with approximate exactness. But politics intervened and there has been a constant turmoil over this question. The results have been disastrous to both the companies and the public. Inadequate rates have caused or contributed to the failure of six local mutual companies, leaving 63,900 policyholders without insurance and an unknown number of claimants without protection. In addition, a number of stock insurance companies have ceased

(Continued on page 58)

¹A third type has been proposed but has not been tested by actual experience. It seeks to apply the workmen's compensation plan—the plan of compensation "regardless of fault"—to automobile accidents. Practical insurance men insist that the insurance principle applicable to industrial accidents under workmen's compensation would not be so successful or practical when applied to automobile accidents. The workmen's compensation plan is bottomed upon the relationship of master and servant, and upon the wage-factor—which is a part of that relationship. All the beneficiaries under the workmen's compensation law are, for these reasons, in the same general category. The category is narrow and does not include the greater number of automobile accident victims. To the extent that it does not, the scheme would tend to become burdensome; ineffective as to some victims, over-effective as to others, generally unfair and, in some instances, unworkable. For lack of experience, its cost can be only inadequately estimated. It is confidently contended, however, that workmen's compensation costs, heavy as they are, do not begin to measure the costs involved in the more complicated plan of compulsory automobile compensation.

Ten Answers to Substitute Brands

By HERSCHEL DEUTSCH

✓ THE carefully compiled figures and excellent charts in the report on private brands just issued by the Federal Trade Commission merely confirm what every manufacturer of nationally advertised products has known for some time; the sale of unadvertised, store-controlled brands has increased greatly. At that, the private brand is only one of the many forms of the substitute—that ogre to which he has been losing more and more of the sales created by his advertising. When the retailer has not his own especially labeled product to offer in place of the advertised article, he usually has plenty of other unadvertised brands on hand.

There is no question regarding his use of them either. John W. Dargavel, retiring president of the National Association of Retail Druggists, states that in his own drug store he sells a substitute product in eight out of ten cases.

In reply to a direct question by their national association, 992 out of 1,000 Canadian druggists recently admitted that they sell substitutes regularly.

Incidentally, if you doubt the effectiveness of the druggist's efforts in this direction, you will be interested in learning that the annual sale of substitutes for Listerine is now estimated to be between three and four million dollars.

The situation is by no means limited to the drug or food fields. Localized studies by advertising agencies and general surveys by trade associations, the Federal Trade Commission, and large national publications reveal that the menace is growing in the house furnishings, haberdashery and hardware fields. As more and more manufacturers begin to wonder audibly how much longer they will find their advertising profitable, advertising men are growing increasingly cognizant of a serious threat to their industry.

An executive of one of our largest advertising agencies recently said:



EWING GALLOWAY

Dealers can be so heavily stocked they have no room or time for substitutes



THE battle between the private and the advertised brand is spreading daily. The manufacturer, retailer, salesman and advertising man are directly involved. Here a neutral correspondent outlines some new strategies in the campaign

"Much of the effectiveness of advertising is lost today at the point of sale. Advertisers are coming to realize this, especially now when every dollar must count. It may come to the point where many of them will give up advertising in disgust, tired of holding the bag for the manufacturer of substitute products."

Naturally, the advertiser is seeking methods for stemming the tide.

Here are ten possible courses which he can follow:

1. Insuring the Retailer's Profit

THESE days, when the retailer tries to sell you something other than the advertised product you requested, the reason is usually obvious enough. In most cases he is featuring the standard article at a cut price and is clearly making more money—or at least not losing any—on the substitute. The great wave of price cutting of the past year or so has affected most extensively those merchandising fields in which advertised brands predominate. In many instances the slashing has reached a truly desperate stage. A recent count in a middle western store showed 114 well known items being sold below wholesale cost. With his profit on the advertised article thus squeezed out by competitive price cuts, the retailer turns to substitutes in self-defense.

The manufacturer who seeks to improve the retailer's profit and thereby eliminate this cause for substitution has a choice of several methods.

One, selective distribution—restricting the number of outlets and their selection for quality—permits closer supervision by the manufacturer of his consumer contacts and tends to keep the product out of disorganizing retailer competition.

Most advertised makes of shoes, tires, men's hats, electrical appliances and silverware are distributed through "exclusive agencies" at comparatively stabilized prices. Sherwin Williams paints and Elizabeth Arden beauty preparations have found the plan particularly successful and in the drug and toiletries field, an increasing number of large companies such as Armand, Harriet Hubbard Ayer, Dorothy Gray and E. R. Squibb & Son have adopted modified versions of the system.

Under normal conditions, the manufacturer enjoying widespread distribution is disinclined to eliminate some of his retailers or wholesalers and change

to the controlled, selective method, because he knows that an accompanying sharp drop in his sales is inevitable. The fact that many large drug advertisers are nevertheless doing so indicates the growing seriousness of the situation in this industry.

In any field where the chain or large buyer is granted an "advertising allowance" or a special quantity discount, the independent merchant's profit will naturally be smaller or even non-existent if he offers the product at the same price. Perhaps in response to the resentment against these preferential arrangements (a resentment which forecasts costly retaliatory substitution) many manufacturers have adopted new "one price to all" and "inflexible discount" policies. Still another good will and sales incentive, the volume bonus plan, used for years by tire companies, electric lamp companies and others, whereby the dealer receives an extra discount or commission if his total sales for a period exceed a specific amount, is now incorporated in several of these new profit plans as a measure for increasing the total turnover.

2. Consignment Selling

OF COURSE, the ideal method for eliminating price cutting would be to establish uniform prices by enforceable agreements. However, while the Clayton Act retains its teeth, such price

fixing is illegal. If the manufacturer wishes to control the price or other conditions under which his product is offered to the consumer, he must retain title to it by placing it in the retailer's stock on a consignment basis. Once the merchandise passes out of his possession, the manufacturer's legal interest in it ends. He cannot dictate the resale price or order the retailer whose methods do not please him to cease selling.

As a means for eliminating the price cutting which threatened their industry several years ago, most major oil companies adopted a controlled agency plan by which the retailer—the gas station—receives his stock on a consignment basis. In the drug field, the Coty Company, about a year ago, placed its products on wholesale consignment for the same reason.

Retailers practicing substitution usually keep the advertised product out of sight, producing it only on express demand. Not only do the profit protecting provisions of the consignment contract encourage the dealer into more active sales promotion, but its terms can actually specify the exact extent of this cooperation. Thus the new arrangement by which the American Cigar Company is placing Corona Cigars on consignment insures the continued prominent display of the product by means of a sliding scale of discounts, dependent on the amount of showcase space given by the retailer.

Tung-Sol Radio Tubes recently went on a consignment basis primarily for the familiar price-control reason, but found in the plan accompanying protection against substitution. When the retailer is out of stock on an item he will, perforce, try to sell the substitute he has on hand. Where, because of the investment required, the retailer might be disinclined to put in all the 25 numbers in the line, he has been welcoming the convenience of the expanded stock afforded by the consignment plan. Again, where the credit standing makes it necessary to curtail shipments on outright sale, by retaining title to the goods through the consignment contract the manufacturer can load up the outlet completely, without fear of loss. While basically the famous GE lamp consignment plan was designed to control the resale practices of the 20,000 dealers, it is freely admitted that the credit protection feature is almost as important.

Since this problem of a shortage of stock caused by curtailed credit is universal, where the manufacturer is not prepared to go into consignment selling, he can take some action against this cause of lost sales through

3. Liberalized Credit

MANY retailers in the drug field are now so deeply in debt to their wholesalers that they cannot order suitable quantities of demand merchandise and



Doubling the advertising will not only reduce the resistance of the individual customer but will bring enough new ones to replace those who buy substitutes

EWING GALLOWAY

so must sell whatever substitute goods they can obtain. Certain wholesale distributors of substitute lines have taken advantage of this situation by issuing special merchandise deals featuring extended credit terms. Rexall's six-months' dating proposition and McKesson's offer of long credit on a \$100 combination are examples of this tendency. Similar developments have taken place in other fields.

If the manufacturer is to reduce the number of occasions on which the retailer is forced to say "Sorry, just out of stock," and to combat such specific opposition from wholesale suppliers, more liberal credit extensions would appear to be necessary, and many companies selling direct to the retailer have recently announced such special arrangements. The Columbia Phonograph Company's excellent installment finance plan on their new radio sets and the Western (Toothbrush) Company's three months credit deal are current variations on this theme.

Manufacturers in wholesaler-served fields are finding the need for some corrective especially serious since, in addition to the credit advantages with which the wholesaler often surrounds his controlled, private-label line of products, he is in a position to, and usually does, put behind it sufficient direct sales pressure to keep the dealer well stocked with these substitutes. In fact, he is frequently accused by the manufacturer of actually "sharpshooting" orders for standard products—that is, urging the retailer to accept controlled brand substitutes when advertised items are ordered.

4. Forcing Heavier Stocks

THERE are several liquid complexion cleansers, but one does not suffer much from substitution. The most important explanation for this is the fact that the druggist has been tempted through a series of irresistible special offers to stock up so heavily on the product that he has neither space nor inclination for the substitute. Accordingly, instead of aggressive switching, he is impelled to persistent efforts to keep the stock moving.

There are some drawbacks to the idea, of course. The drug and grocery fields have been especially "overdealed" lately, and retailers have been resenting the confusion into which they have been thrown regarding the actual base costs of their goods. When a grocer in Boise, Idaho, writes in bitter complaint that, "Certain manufacturers work these deals all the time," and a druggist in Corona, N. Y., blames on the pyramided deals the fact that he has "more

of a certain trade-marked toothbrush in stock than there are teeth in the heads of all my customers," they are speaking for the great army of their brothers-in-trade who have begun to resent what they consider the unfair activities of the deal-wielding manufacturers.

5. Increased Advertising

THERE is no question that many unadvertised (substitute) products have grown in power lately, requiring greater



EWING GALLOWAY

Staples are more often subject to switching than are specialties

resistance by standard, established brands. For one thing, well known products have been conspicuously slower than unadvertised ones in reducing their prices to conform with the general drop in commodities. A second consideration has been the growing prestige of the names attached to many of the private brand lines. The sponsorship of such organizations as A. & P. or United Cigar Company makes the customer easier to convince regarding the quality and dependability of the product offered in place of the one requested.

From the advertiser's standpoint it would be logical to meet such growing force with equally increased force. As the substitute expands in power, the standard item would be called on to match it at every step by amplification of its one big weapon—advertising. A recent study of private brands in the grocery field proves that the products which withstand substitution efforts best are those most extensively advertised.

The average manufacturer recognizes this fact readily enough. In his study on "Price Cutting and Price Maintenance,"

Professor Seligman points out that "a part of the manufacturer's outlay has hitherto been made for the express purpose of offsetting the dealer's opposition." There is another view, however. Assuming that a piece of advertising will bring a certain number of people to the store, some of whom will be induced to walk out with substitute products, a doubling of the advertising would not only decrease the resistance in the individual customer, but would bring to the store, if not actually double the number, certainly enough new ones to replace those lost to the substitutes.

There is a point, of course, at which the charted curve of this new business, rising more or less parallel with the advertising appropriation, will begin to flatten out but, with the possible exception of the large cigarette companies, no manufacturer has ever attempted to determine the exact scale of the diminishing returns to be expected from the expanded advertising, and the so-to-speak extra dividends to be found in the upper levels of the towering expenditure.

6. The "Beware of Substitutes" Campaign

IN THE last few months a number of large advertisers have turned from their customary attempts at sales increases through widened markets or uses, to defense of their existing sales. The current Absorbine Jr. campaign concentrates on warning the consumer against "Substitute remedies for Athlete's Foot." GE Lamp advertising warns that "Poor lamps use more current." Bayer warns against "ordinary aspirin." Pennzoil Motor Oil's new series warns against the "widespread frauds" practiced by the "oil bootlegger." Listerine warns against "questionable mouthwashes." Vapex warns against "cheap imitations."

In some cases outsiders have taken up the cudgels for the advertiser. The Los Angeles *Times* promotional advertisements bearing such headlines as "Get what you ask for" and "Don't be talked into buying something you don't want," and the similar appeals by *Photoplay* and other magazines are similar to the activities of organizations like the American Petroleum Institute and Drug Inc., in behalf of the standard (advertised) products.

7. Appeals to the Dealer

WITH their advertising creating the demand and the wholesaler's salesman collecting the retailer's orders, many manufacturers have been able to do without salesmen for a long time. Today, however, more and more of these

advertising manufacturers are sending trained crews into the field, not so much to sell their products to the retailer as to counteract the inroads of the substitutes by winning his good will and teaching him the methods and the advantages of pushing (instead of retarding) the sale of the advertised product.

In trade publication advertising and direct mail promotion pieces the "do not substitute" appeal is receiving an especially heavy play these days and carefully staged and publicized trade demonstrations, such as the Cannon Mills towel sales test, in which the branded towel was proved capable of outselling the unbranded one by three or four to one, are frankly aimed at the substituting retailer.

8. Specialty Characteristics

STAPLES lend themselves more readily and are more often subject to switching than are specialties. A customer who asks for an advertised brand of coffee or aspirin or canned peaches will much more frequently be sold something "just as good" than the one who has asked for Crackles or Feenamint or Patapar.

Obviously, then, the closer the manufacturer can come to turning his product into a specialty, the greater will be its resistance to substitutes. Sometimes, through its ability to create new uses, advertising can help make staples into specialties. As a liniment, Absorbine Jr. is a staple; as a cure for Athlete's Foot, it is (or was) a specialty. As a laundry starch, Linit is clearly enough a household staple; as Linit Beauty Bath it is a toilet specialty.

However, the built-in sales appeal is better. The touch of perfume on Beau Monde Hosiery, the medication on Dr. Scholl's Zino Pads, the menthol in Spud Cigarettes are all measures to lift staples into specialties.

9. Production of Substitutes

A GROWING number of manufacturers have made up their minds that substitution and switching on their products cannot be stopped, and that they may as well make what they can out of the situation. Since the substitute or private brand product will be manufactured some place, they reason, why not make it in their own plants along with the original, advertised brand?

Many independent grocers have barred a certain brand of canned goods from their shelves in resentment of the price cutting activities of their chain store competition, but the manufacturer makes up for this loss by producing a good part of the substitutes.

Both Goodyear and Goodrich make tires under private brand names. Segal Razor Company, Quaker Oats Company, American Bosch Radio Corporation, Cannon Mills, and many other well known companies make products for

outsiders. While not all of these carry on the practice merely as a means of salvaging a part of the loss through substitution, the tendency in this direction is clearly growing.

10. Outlets in New Fields

FINALLY, when the advertiser has tried all the other methods suited to his specific problem and found no relief from his losses through retailer substitution, he comes to the idea of seeking new outlets, away from his normal, conventional field.

On the face of it, the idea presents some tempting advantages. With his advertising appropriation based on a definite number of outlets, each reduction in the value and number of his dealers has meant a proportionate distortion of his figures. By simply going into another field, however, he can enlarge the number of outlets.

The drug manufacturer, contemplating the 100,000 or so additional outlets available for him in the grocery field, is encouraged by the examples of the many successful shifts which have been taking place in other industries. He has

seen the syndicate store become the accepted outlet for electrical supplies and glassware, the grocery store turn over great quantities of cigarettes, the 5-and-10 become the place to buy low priced towels, and so he gathers himself for the leap.

The fact that he has not as yet done so is due in part to his disinclination to undertake the complexities which approach to such enlarged new distribution must entail. But to a greater extent it is due to his fear of the resentment of his original dealers and the effect of their inevitable retaliatory measures on his sales.

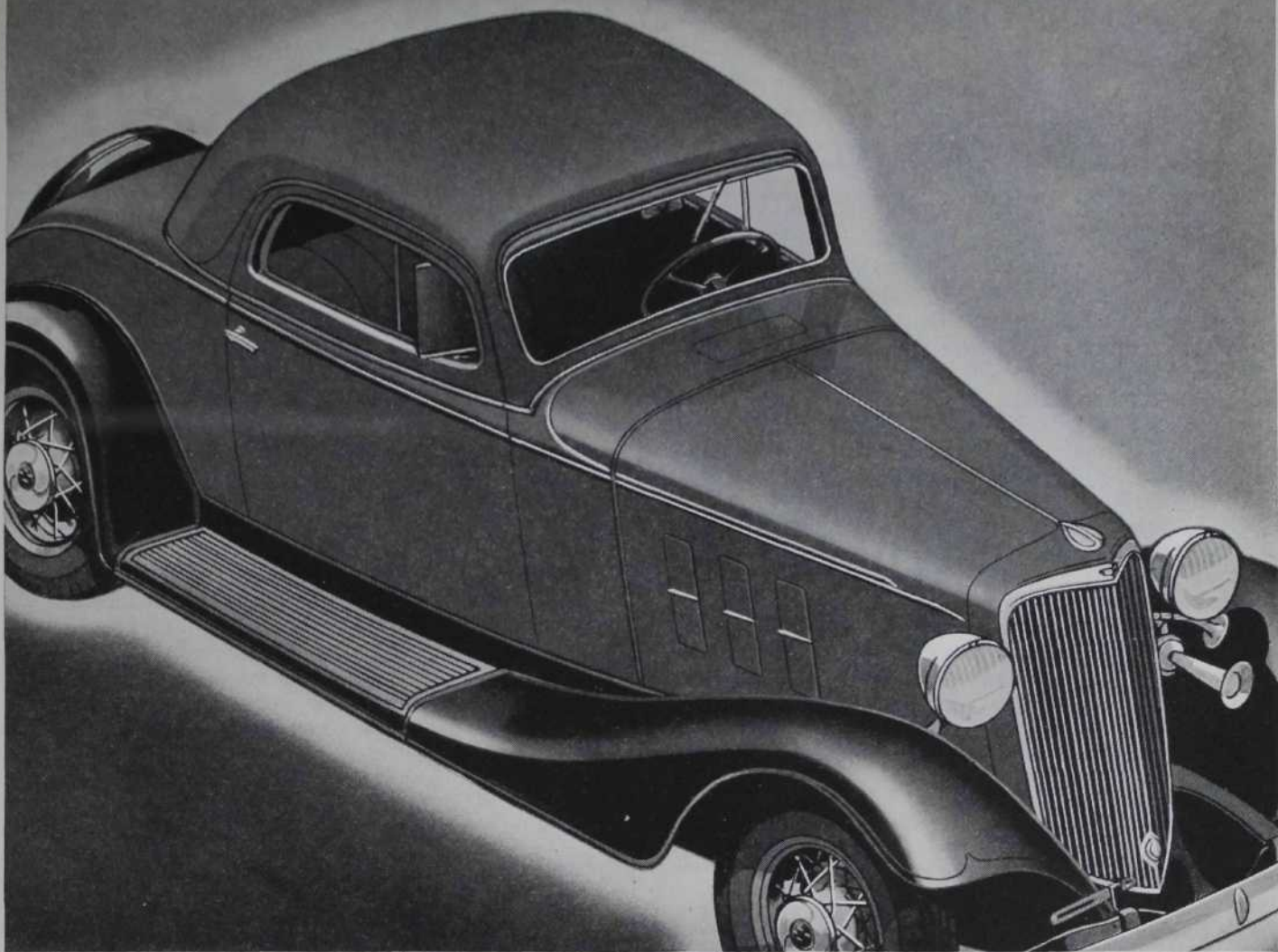
However, if matters continue as they have been going, with the power and the sales of the private brand and other substitutes growing ever larger and more injurious, eventually the advertising manufacturer will reach the point where this threat of retailer resentment will be overshadowed. And then he will go afield.

Or else he will finally see himself as merely paying out his big appropriations to help build the sales of the substitute, and he will just stop advertising altogether.

January Conventions

- | | |
|---|---|
| 3-5. Northern Retail Nurserymen's Association, Minneapolis. | 18-19. New England Association of Ice Cream Manufacturers, Boston. |
| 3-5. Northwest Cannery Association, Portland, Ore. | 18-20. American Society of Civil Engineers, New York. |
| 3-5. Northwest Fruit Barrelers Association, Portland, Ore. | 18-20. Pennsylvania Lumbermen's Association, Philadelphia. |
| 8-11. National Shoe Retailers Association, Chicago. | 19. National Notion Association, New York. |
| 9. Rubber Manufacturers Association, New York. | 20-24. National Retail Credit Association, Memphis. |
| 9-10. New Hampshire-Vermont Bottlers of Carbonated Beverages, Boston. | 22-27. National Food Brokers Association, Chicago. |
| 11. Motorcycle and Allied Trades Association, New York. | 23-24. National Preservers Association, Chicago. |
| 11-12. National Shoe Travelers Association, Chicago. | 23-25. Illinois Association of Ice Industries, Peoria. |
| 12. New Jersey Mason Material Dealers Association, New York. | 23-25. Middle Atlantic Shoe Retailers Association, Baltimore. |
| 12-13. Empire State Bottlers of Carbonated Beverages, Albany. | 23-27. American Institute of Electrical Engineers, New York. |
| 12-14. American National Livestock Association, Ogden, Utah. | 24. American Wood Preservers Association, Chicago. |
| 12-14. Mountain States Lumber Dealers Association, Denver. | 24-25. New England Nurserymen's Association, Boston. |
| 13-14. Pennsylvania Newspaper Publishers Association, Harrisburg. | 24-26. Oklahoma Hardware & Implement Association, Oklahoma City. |
| 15. American Engineering Council, Washington. | 24-26. Western Association of Nurserymen, Kansas City. |
| 16. Associated General Contractors of America, Detroit. | 24-27. Minnesota Retail Hardware Association, Minneapolis. |
| 16-19. National Crushed Stone Association, Detroit. | 24-28. National Cannery Association, Chicago. |
| 16-20. National League of Commission Merchants of the United States, Chicago. | 25. Retail Furniture Association of California, San Francisco. |
| 16-20. Western Fruit Jobbers Association of America, Chicago. | 25-26. Tennessee Lumber Millwork and Supply Dealers Association, Nashville. |
| 16-20. Highway and Building Congress, Detroit. | 25-27. Southwestern Lumbermen's Association, Kansas City. |
| 16-20. American Road Builders Association, Detroit. | 26-28. National Association of Real Estate Boards, Washington. |
| 17. New England Daily Newspaper Association, Boston. | 27. Manufacturing Jewelers Board of Trade, Providence. |
| 17-18. National Paving Brick Association, Detroit. | 27-28. North Carolina Ice Cream Manufacturers Association, Asheville. |
| 17-18. National Sand and Gravel Association, Detroit. | 28. American Cranberry Growers Association, Camden, N. J. |
| 17-18. West Virginia Retail Hardware Dealers Association, Huntington, W. Va. | 31. Merchant Tailor Designers Association, Detroit. |
| 17-19. Northwestern Lumbermen's Association, Minneapolis. | 31-2/2. National Association of Merchant Tailors of America, Detroit. |
| 17-19. Western Retail Implement & Hardware Association, Kansas City. | 31-2/2. South Dakota Retail Hardware Association, Sioux Falls. |
| 18. National Ready Mixed Concrete Association, Detroit. | 31-2/3. Nebraska Retail Hardware Association, Lincoln, Neb. |
| 18-19. American Washing Machine Manufacturers Association, Chicago. | |

A GENERAL MOTORS VALUE



CHEVROLET PRESENTS A NEW SIX

America's most economical automobile

● Chevrolet makes this special announcement in this publication—because Chevrolet feels that it has something unusually interesting to offer American business for 1933: A new car, a great big new car, a wonderfully good-looking new car, with the largest number of important advancements ever combined in a low-priced automobile. And a car that easily qualifies as the most economical in the American market today! There's a new "cushioned-balanced" engine that's faster, smoother and more powerful than ever. The new longer chassis is sturdier, heavier and more durable. The new Fisher bodies are larger, lower, roomier—and offer the greatest basic

improvement in travel comfort in over ten years: Fisher No-Draft Ventilation. The general appearance of this Chevrolet is not only larger and more imposing—but very modern and very smart—with the most attractive styling in the low-price field! And Chevrolet engineers have been successful in combining all these new advancements with an operating cost even lower than last year. *And a purchase price well below what you'd expect for such a big, handsome automobile.* Chevrolet invites you to inspect this new six—and consider its many advantages, as a car for business use. You'll find it a worthy successor to 1932's most dependable, most economical low-priced car!

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN

AT A NEW SCALE OF LOW PRICES

When visiting a CHEVROLET dealer please mention Nation's Business

Can You Spare \$10 'Til Pay Day?

By WILLIAM S. DUTTON

Illustration by Charles Dunn

★ ONE OF my neighbors offered the colored porter in our building an overcoat. The porter looked at the garment longingly, felt of its texture with loving fingers, but finally sighed and shook his head.

"Ah just can't take it, Boss," he said sadly, "though it sure is one fine coat. In times like this, if Ah wore that coat, all mah friends 'd be wantin' to borrow money from me, and Ah'd just have to lend 'em what Ah ain't got."

"Haven't you enough strength of character to say 'no' when they ask you?" demanded the coat's owner.

"Yassuh," said the negro, "but the way things are Ah jest can't afford to take chances no-how. Boss, Ah sure got some persuadin' friends."

So have most of us. One of the first things that happens when a young fellow gets a good job and starts to make money is a concentrated drive by persuadin' friends and acquaintances and relatives to get some of his money away from him. The question is what ought to be done about such pleas as a measure of self-defense. We can't all emulate the colored porter.

The late Judge Gary, who was chairman of the board of the United States Steel Corporation at his death, felt so strongly against lending money without security that he mentioned it in his will. He earnestly requested his heirs and descendants "that they steadfastly decline to sign any bonds or obligations of any character as surety for any other person or persons; that they refrain from anticipating their income in any respect; that they refuse to make any loans except on the basis of first-class, well known securities; and that they invariably decline to invest in any untried or doubtful security or property or enterprise or business."

Ask any banker or business man, or anybody of sound mind for that matter, and he will tell you that Judge Gary gave his heirs excellent advice. The verdict is loudly unanimous. But there

is a fly in the ointment nevertheless. During the past few weeks I have talked with a score or more of reputedly keen and hard-boiled business men in an effort to find one who personally has stuck to the rule as set forth. To date I haven't found my man. They all had been touched for loans by persuadin' friends, not once but often.

"It's this way," explained one. "When a friend is up against it in a personal way and appeals to me as an individual, the matter is outside the rules of good business. I consider his character as sufficient security, providing, of course, I can spare the money and the amount involved is not large. That is, I never lend what I can't afford to lose. If my friendship isn't worth far more than

wisely, the percentage of honesty among them should be high, so I'm not taking a very big chance. One may disappoint me, but, as against this, nine won't. I'm investing in those nine for the future just as I invest in insurance."

A third said that he always has tried to envision himself in the other fellow's place and the latter in his place.

"If I decide that he'd help me were our positions reversed I help him. And I don't give a hoot whether he pays me back or not," was his statement.

Said a fourth:

"A great many men went out of their way to help me during my early days in business. Some of them were practically strangers to me at the time, and I've accumulated a pretty big debt to humanity since. If I lend and lose now, as I do now and then, I'm not going to let it make a cynic out of me. A few false friends may play me for a sucker, but I'm darned glad to be so fixed that I can afford to be one occasionally. It's the wise guy, I've noticed, who usually is broke."

A plan for loans

SOME of the men consulted professed no rules beyond their own judgment at the time of the touch. Sometimes they lend and sometimes they don't. Only one said he followed a definite plan.

"A number of years ago," he said, "I decided to settle the impecunious friend problem once and for all, so I set aside a revolving fund, at that time of \$1,000. The amount is now \$5,000. The rules are simple. I must know the borrower and he must have a legitimate need. If there is no money in the fund when he

applies, he must go out and collect it from one or more of those who have borrowed previously. This is the understanding at the time the money is loaned. Every borrower knows that if he doesn't pay he won't be beating me but some other poor devil in need. So

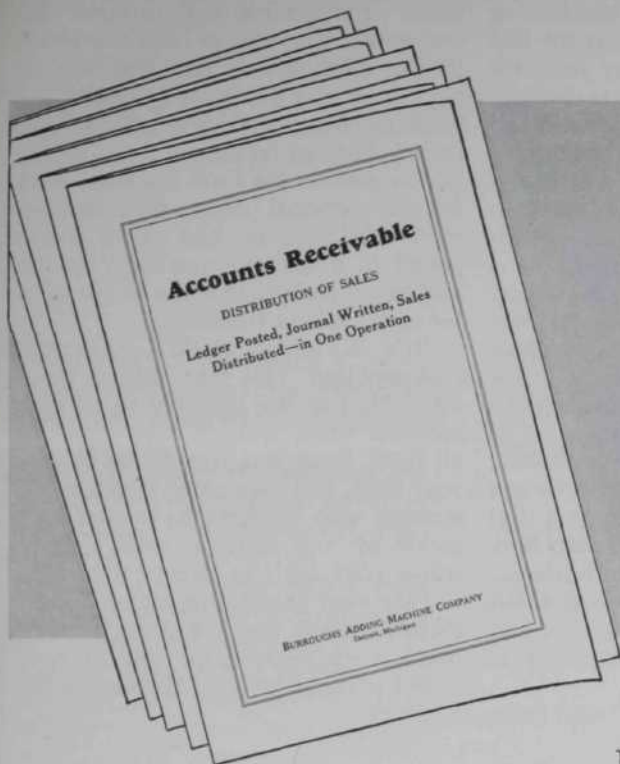


"Boss, if I took that coat all mah friends would be wantin' to borrow money from me"

that small amount, I'm glad to lose it—the knowledge gained of my supposed friend has been bought cheaply."

"When I lend a friend money on his word that he'll pay I regard it as an investment," said another. "Most people are honest. If I've chosen my friends

ACCOUNTS RECEIVABLE



These 6 folders
point the way to
further accounting
economies . . .

- 1 Illustrates a method of posting ledger, with typewritten description, and distributing to columnar journal or continuous tape in one operation. Several related records written at the same time if desired.
- 2 Describes how speed is increased by reduction of manual operations in posting statement, ledger and proof journal. New simplicity in posting.
- 3 A descriptive, itemized statement and skeleton ledger, both originals made in one operation.
- 4 The "Unit" plan of posting Accounts Receivable records. Statement, ledger and proof journal posted in one operation—all with complete typewritten description.
- 5 How greater production is obtained from fully automatic operation is described in this folder on posting ledger, statement and proof journal—all originals—in one operation.
- 6 Prompt information on the condition and revenue value of every account is given by this plan of posting ledger, statement and proof journal in one operation.

No matter how effective you believe your present accounting system to be, you owe it to yourself to investigate what Burroughs is doing to help cut accounting costs, and bring greater speed and simplicity to the work.

You may find—as so many other firms have found—that further economies can be effected by utilizing the advantages made possible by recent developments, such as new Burroughs machines, new Burroughs features and new and improved accounting procedures.

To assist you in taking advantage of these developments, Burroughs offers to send to you, without charge, any of the folders listed at the left. You can then compare the procedures described, with your present system for handling accounts receivable. Similar folders on other phases of accounting are also available.

MAIL THIS COUPON!

BURROUGHS ADDING MACHINE CO.
6221 Second Boulevard, Detroit, Michigan
Please send me, without charge or obligation,
folders numbered _____

I am interested also in other folders on the subjects checked below.

- | | |
|---|--|
| <input type="checkbox"/> Payroll | <input type="checkbox"/> Figure Distribution |
| <input type="checkbox"/> Stores Records | <input type="checkbox"/> Accounts Payable |
| <input type="checkbox"/> Billing | <input type="checkbox"/> General Accounting |

Name _____

Address _____

Burroughs

far more than a thousand loans have been made. Most of them have been for less than \$100. Some borrowers have been in and out a dozen times. Only two men have defaulted outright and in each case the loss was made up by some previous borrower who had become prosperous. The borrowers pay no interest, though they often insist on it."

It should be kept in mind of course that all of the men with whom I talked are pretty well fixed financially and can well afford to gamble with a few personal loans. At that, however, none of them said he would lend a large amount without security, and most of them regarded any sum beyond \$100 as a large amount.

"When the loan gets beyond \$100 it's no longer a personal but a business matter," is the way a bank president put it. This would mean, comparatively, that ten bucks would be a good-sized touch for most of us to grant.

But whatever the limit set, the consensus was that under no circumstances should it be more than the lender can easily afford to lose.

Out of the experiences of the group I gathered a number of bewares that seem worth passing along:

1. Beware of the friend who weeps,

either figuratively or literally, and who tells you that you're the only real friend he has left. The chances are that he has stuck all the others and that you are ticketed as the next to be crossed off his list.

2. Beware of the brilliant, scintillating chap who reached his bank just too late and who will be around to pay you back in the morning. His memory is distressingly short. Besides he regards all hardworkers who save their money as boobs, and will make you feel like a boob if later you get up the nerve to ask him for what he owes you—which you won't.

3. Likewise beware of the ex-choir singer from the old home town who was always so well spoken of by the upper citizenry when no hope was held out for your own future other than the almshouse or jail.

4. Also of the chap who never asks outright for money but who nevertheless unwinds a tale that makes you feel like mortgaging the home to help him.

5. And of the plausible, enthusiastic, big-figure boy who is always just about to go over the top with a big deal and who'll be a rich man before the year is out.

6. Beware, too, of the man who

promises too explicitly and too earnestly as to when he will pay.

7. Ditto of the friend who smokes better cigars than you do despite his lean financial state.

On the other hand, oddly enough, the rather irresponsible and care-free fellow-worker who always owes everybody in the office before pay day usually pays up on pay day sooner or later. The hard-boiled guy who gives and takes no favors, save an occasional loan, is usually as good as the First National Bank for his personal debts. One business man said that he had never lost a penny to a man in overalls who had had nerve enough to come to his office for help when in trouble.

"It's a funny world," this man philosophized. "We take chances as individuals that are contrary to all good business sense, and yet they work out all right. Your best friend tries to steal your shirt, and then along comes a near stranger who wouldn't be trusted for a nickel by any store in town and restores your faith in human nature."

Take your choice. For myself I'm inclined to think that the porter who refused a perfectly good gift overcoat wasn't so dumb after all. At least he had a system.

Tax Reform Can Come Quietly

People prove they can make wants known without headlines

★ RECENT decisions of states and cities to get along on less tax money recall a scene in the early summer of 1931 in a hotel parlor, several floors above a convention hall where a hundred-odd people were paying indifferent attention to a discussion of the costs of municipal garbage disposal.

In this parlor a half-dozen men sat or sprawled in postures of masculine comfort. At a lull in the conversation, a man of dignified appearance, who for some years has been said to run a fair-sized eastern city without too many people knowing about it, remarked:

"Talk all you want to, boys, but taxes are going down or some of you fellows are going out."

He ignored the doubts and dissents of the municipal officials who were guests in his suite until he had lighted a cigar. Then, gazing at its glowing end, he continued:

"Why? Well, I'll tell you. Because it's what the people want—at least for awhile. Maybe not for long, probably only 'til things pick up again. But it's what they want now, and you don't have to listen to folks lecturing down in that stuffy auditorium to know it."

In the intervening months, that prediction, laughed aside at the time by a group of men generally numbered among the most sagacious municipal political leaders in the country, has been fulfilled. In their phrase on that occasion, they "couldn't see it." Some of them have "seen it" since while engaged in removing personal effects from public offices which they occupy no longer.

Judging from recent reports of a score of states and more than a hundred large cities to the Finance Department of the United States Chamber of Commerce, expenditures of state and local governments are coming down. The manner of the reduction, however, has been and is so different from the expectations which many people came to have during the early years of citizen campaigning for municipal economy that a casual observer easily might miss the significance of current trends.

Expenses come down slowly

TO many people, the threat of governmental extravagance to economic security has been so realistic that unconsciously they have come to expect that

some gigantic convulsion would mark the end of waste and the beginning of economy. Nothing of that sort has happened. There has been no day on which a thousand states and cities, acting in unison, moved to cut their expenditures by a uniform, prearranged percentage. Except in isolated cases, there has not even been much overturn among those who control public policies. Instead, there has been the gradual, silent growth and crystallization of public sentiment, slowly changing the major policies and day-to-day decisions of governmental units. For the most part, each state and city has dealt with its own situation in its own way, moving at its own pace in applying remedial measures of its own choosing.

For every New York with its convulsive struggles against strangulation by debt, there are a hundred communities which have effected without much fuss the economies demanded by weakened credit. For every Chicago with its imminent breakdown of vital municipal functions, there have been scores of communities which, step by step, have put their affairs in order before they

(Continued on page 61)

Hotels Are Seeking the Way Out

By JAMES S. WARREN Chairman, Modernization Committee of the Hotel Press

★/ LIKE VIRTUALLY every other industry, the hotel business launched upon an era of expansion from 1921 to 1929. It almost seemed that the intention was to provide a hotel room for every man, woman and child in the country.

Money was easy to obtain, hotel sites were offered on every hand by owners whose local interests would be benefited through the building of a new hotel, and "hotel experts"—from promoters to decorators—peddled their wares on every corner.

A hotel "monument" to the town reared its head in almost every community worthy of the name. Financiers, realtors, architects—everybody, in fact, except experienced hotel men—united in the effort to make *their* hotel the finest in the state. Many beautiful structures were the result. Some of them were well and economically planned from the operating standpoint. Most, however, were far too large and elaborate for their communities' needs. All of them were financed and built at peak—or near peak—prices.

Overexpansion hurts hotels

THEN, something like a year before the crash in 1929, growing pains set in. A hotel room is the most perishable of all commodities. The hotel man has so many rooms to sell each night. When he fails to sell them on any given night his sale is lost forever. His overhead, however, goes on just the same. He cannot reduce his output as can other producers, and to only a limited extent can he reduce his costs.

So, along toward the middle of 1928, when these new hotels—and older ones too—began to feel the pinch of decreased patronage, the business slumped rather more rapidly than was the case the next year in most fields of commerce. By the end of 1930, the typical operator was complaining.

"There is no business," he said, "so what's the use of trying?"

Probably the worst aspect of the situation was the plight of the older hotels.



DEPRESSION hit the hotel men before it hit the rest of the country but they were among the first to seek the corner around which prosperity is hiding. Their drive for better business helped others

The newer hostelrys had introduced many innovations in equipment and service with the result that the older ones were quickly becoming obsolete. Moreover, the operators of most of these older hotels were afraid to undertake large scale improvements because the volume of patronage did not seem to warrant heavy investments.

Generally speaking, hotel managers—particularly in the older houses—realized that something had to be done but they were taking such a licking in decreased sales that they feared to spend any money that seemingly did not have to be spent.

The situation eventually reached a stage where something had to be done to draw hotel men together and make them realize that they were still in business.

Modernization the answer

ABOUT this time it dawned almost simultaneously on the editors of half a dozen periodicals for hotel men that the answer might lie in hotel modernization. Many of the newer, as well as older, hotels had been allowed to deteriorate because managements were becoming ultra-conservative when it came to making investments for any purpose.

In their individual publications these editors had begun already to advocate modernization. Now, however, they decided to pool their resources and, with the help of the American Hotel Association, develop the issue into a nationwide educational campaign.

At its 1930 convention the editors asked the American Hotel Association to endorse this activity. This it did unanimously. Under the Association's auspices, the cooperation of all the hotel publications in the United States was then enlisted. This group appointed the Modernization Committee of the Hotel Press, which consists of six publishers and editors in strategic points.

The Committee's first activity was to ascertain the fundamental facts regarding present and potential hotel modernization work. How many hotels already were being renovated? How much were they spending? What kinds of rehabilitation were they interested in primarily? How many more hotels really needed modernizing and, of this number, how many might be persuaded to undertake it? This and similar information was gathered by means of personal calls, letters and questionnaires.

As quickly as facts were ascertained and verified, they were disseminated to the 19 cooperating hotel papers. The information was mailed out in the form of releases, with release dates set far enough ahead so that the monthlies could publish the news simultaneously with the weeklies.

Concurrently two publications in the group offered a cash prize for a slogan identifying the objectives of the program. Hundreds of entries were submitted. The winning slogan was:

"Be Profit-Wise—Modernize."

It has been used extensively throughout the hotel press, both editorially and in the advertisements.

The Modernization Committee also organized a speakers' bureau which provides dozens of experts qualified to speak on various phases of structural renovation. No attempt is made to force these speakers on hotel gatherings. They

Your company can strengthen itself by insuring the lives of its executives

Metropolitan Life's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



LEADING credit organizations ask, "What is the amount of life insurance carried in favor of the Company?"

Many a small corporation with limited cash reserves is able to transact business on a large scale if it has executives of integrity and ability and a high credit rating.

Life insurance on the lives of officers or key-men is an outstanding asset of successful businesses, whether big or little.

FIRST—the lives of these important men are insured for the benefit of the company in substantial amounts.

SECOND—in event of the death of one of these individuals, life insurance will provide immediate cash which will maintain the confidence of creditors who otherwise might fear that the company's financial position had been weakened.

THIRD—this life insurance will place the corporation in a position to employ a competent successor, without putting additional drain on its resources.

Any officer or director of any corporation, large or small, is invited to ask for a program of practical value to his company.

A Metropolitan Field-Man will supply full details



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

When writing to METROPOLITAN LIFE INSURANCE COMPANY please mention Nation's Business

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are suggested only when the Committee is asked to recommend speakers.

Although it is too early to estimate the effects of this effort for 1932, a careful survey showed that in 1931 the hotels spent between \$100,000,000 and \$125,000,000 for modernization. Inasmuch as the campaign has gained added impetus since 1931, it is probable that this sum was exceeded during 1932. In the last three months of 1931 and the first three of 1932, the Modernization Committee discovered 602 hotels engaged in modernization.

This means that one out of every 16 hotels in the country, of 50 rooms or more, was modernizing in some way or other at that time.

Financing the work

NOT all of this rehabilitation can be attributed, of course, to the Modernization Committee's activities. Many of these hotels would have modernized in any event.

However, the Committee has on file a considerable number of letters from hotel executives saying that the modernizing they are doing was inspired by this campaign.

Others have stated that they contemplated modernizing when times were better but had been persuaded by the Committee's propaganda to do it now while prices were down and so many men needed employment.

All the many interests identified directly and indirectly with the hotel business have helped to provide funds for the work. In most instances, of course, operators have appropriated money

from their hotels' reserve or surplus accounts. In some instances managers have gone to their owners—to individual stock- and bondholders, to banks and insurance companies—for the money. In still other instances the architects, builders, decorators, building material manufacturers, and the furniture and equipment houses which have been called on in connection with work of this kind, have agreed to time-payment plans.

In one really outstanding case the guests of a residential hotel in California agreed to pay three years' rent in advance for apartments that the hotel's management offered to build for them according to their own specifications.

On the psychological side, this campaign has given hotel men something constructive to think and become enthusiastic about. They still have their troubles, but those hotel men who have modernized their establishments, or who are about to do so, are contemplating positive and tangible projects. They have become creators rather than worriers.

Newer methods, too

WITH structural rehabilitation has come a modernization in operating methods. After all, one of the most important objectives of any program of this kind is a change in the point of view. Those executives who have entered this campaign have emerged better hotel men.

When they completed their physical rehabilitation work, they were not through. New types of sales promotion

are being introduced on every hand; new operating economies are being thoroughly tested.

As an example of unique selling, a Detroit hotel manager sends out his waitresses in off hours to call on nearby merchants. The waitresses explain the advantages and conveniences of the hotel's restaurant and leave sample menus.

Appealing to business men

SEVERAL hotels in large cities have recently announced "overnight clubs." Business men who live in the suburbs are invited to use this service when they are obliged to work late or to be in their offices unusually early.

The service offered includes a room—on a segregated "bachelors'" floor in some instances—late supper or early breakfast or both, and a complete overnight toilet kit, all for a reasonable lump sum.

It is, of course, impossible to estimate in detail what this program means to the industries which supply the nation's hotels.

Just as a scattering indication, it is safe to say that manufacturers in the following fields have benefited:

Roofing; bricks; concrete; lumber; windows and doors; elevators; plumbing; electrical supplies; heating, ventilating, air-conditioning and refrigeration equipment; furniture and fixtures; wall and floor coverings; kitchen and restaurant equipment; textiles of all sorts; paint and plaster, and a hundred others.

What this campaign means in putting men to work is also hard to estimate.

Certain it is, however, that every time a hotel buys a can of paint somebody has the wherewithal to buy a loaf of bread. One outstanding modernization job in Cleveland is keeping 200 men on the job for nine months, approximately 40,000 full working days. In addition, this hotel is spending some \$250,000 for materials, equipment and supplies.

Fully half the cost of producing these items consists of labor charges and \$125,000 will keep a lot of men busy a long time in these decidedly strenuous days.



HILLER, PASADENA

The smaller picture shows the Vista del Arroyo at Pasadena before the hotel's guests helped finance its modernization



A New Step in Food Wholesaling

By R. W. McFADDEN Managing Editor, The Auto Truck Food Distributor

QUIETLY, with little excitement and with almost no public notice a new factor is entering the field of food products distribution. Mr. McFadden tells you how it works

✓ DURING the past five years, the United States has witnessed a significant change in the wholesaling of food products, particularly perishable and semi-perishable specialties. It has paid little attention to this change, however, because it has come about quietly and without much publicity.

The nation has seen, but scarcely heeded, neat trucks draw up briskly at the doors of grocery stores and delicatessens at frequent intervals. The drivers entered the stores, spoke briefly with the proprietors and returned to their trucks where they selected an armload or two of merchandise. Returning to the stores, they put these jars and packages on the shelves or fitted them into a counter display.

This finished, the driver presented a bill, received payment and was off to his next call.

That is the way this newer method of food wholesaling operates. These men are known as auto truck food distributors or, more simply, as distributors. Theirs is strictly a wholesale enterprise, and should not be confused with the house-to-house peddler.

Let us see how this new system operates.

The distributor buys food specialties—perishables and semi-perishables—direct from the manufacturer. He operates a fleet of trucks, contacting all the retail outlets in his territory on a regular schedule. He will sell in small quantities—six of these, a dozen of those, one carton of the other—and usually collects for his goods at the time of sale. The sale, the delivery, and usually the collection are thus made on the same call. The driver-salesman places the goods on the shelf or counter when he brings them in.



Some distributors have fleets of 75 trucks or more

By this system the retailer is able to buy in smaller quantities, thus keeping down overhead. He is able to offer his customers fresher merchandise, because the average distributor calls at least once a week. The driver-salesman seldom carries more than 12 items and consequently can do a real selling job on each of them.

Wholesalers are not out

DO NOT let it be thought from these remarks, however, that the day of the old-line wholesale grocer is ended. There are many food items the distributor cannot or will not handle and which remain the undisputed field of the old-line wholesaler. These include bulky staples, such as sugar, flour, canned goods and so on.

What, then, does the distributor handle? His two "backbone" items are mayonnaise products and packaged cheese. In addition, he may handle potato chips, relishes, mustard, margarine, macaroni products, spaghetti dinner packages, malt extract, coffee, cookies, pickles, horse-radish, potato salad in jars, certain canned meats, pretzels,

corn meal mush, and scores of similar products.

Some 11,000 of these distributors are operating between 40,000 and 45,000 trucks in the United States today. There are individual fleets of 75 or more; on the other hand, there are, of course, many distributors who operate but one truck.

Their per-mile cost of truck operation runs between 6.5 cents to 14 cents or more, with the average probably about ten cents.

The average distributor figures that it takes 12.5 per cent of his gross sales to pay his running expenses. For that reason, an item which he offers for sale must give him a margin of from 20 to 25 per cent.

Cheese and mayonnaise will not pay this, but their lower margin is partly offset by their rapid turnover.

A five-day selling week is customary in the distributing business. Few calls are made on Saturday, because grocers have little time then to listen to salesmen. Saturdays, in the average distributor's organization, are usually given over to sales meetings, cleaning up, taking in-

(Continued on page 63)



FOR long, grim months, business has been seared by a terrible onslaught. But now, as the onslaught slackens, the counter-attack must begin.


Will we go back unprepared to battle—with no different strategy, no different weapons, than those we had before? Or have we found new weapons for the new battle?

A package is a major sales weapon. Has yours a weakness? If so, correct it now. You know what packaging is accomplishing. You have seen new products, beautifully packaged, sweep into sudden prominence. You have seen old ones, re-vitalized by a new container, take a firmer grasp on the market and the future. If a packaged product is to hold its place, it

must be a positive selling force—in structure, convenience, design. It must put into action all that has been developed. It must sell vigorously *by methods of today*.

The new technique of packaging, at the fingertips of American Can Company designers, research men, engineers, is available to every product which is in the battle to win.

If your present package is not of recent origin—if you have the slightest doubt about its fitness for these times—we strongly urge you to check up with the Canco office near you. We have not been idle. We have foreseen the counter-attack, and are ready to help yours be successful—with all our resourcefulness.

AMERICAN CAN COMPANY
 230 PARK AVENUE • NEW YORK 

The Builders Construct a Law

By GERHARDT F. MEYNE Member, Advisory Board, Asso. General Contractors



The workman seldom resorts to the lien law.
When the pay roll isn't met, he quits

★ THE FINAL decision of the National Conference of Commissioners on Uniform Laws to accept the draft of the proposed new Uniform Lien Act and to recommend its adoption in the legislatures of all the states may appear at first blush to be of little consequence to business men outside the construction industry. In the past, lien laws have caused little public excitement, despite the grief they have frequently brought to the unwary.

The lien laws come strongly to the fore only when irresponsibility shows up, either on the part of the building owner or promoter or on the part of contractors or sub-contractors engaged in construction. Nevertheless, they cast their shadow over every phase of building construction. They react on manufacturing and distribution. They are vital factors in every contract and every piece of construction. The simple fact of their existence affects mortgaging houses, credits and collections and is frequently decisive in competitive bidding.

In recent history, the inherited forms of lien laws have exerted a malevolent as well as a beneficial force. Opinions within the construction industry vary widely as to how malevolent and how beneficial they have been. Practically all elements within the industry, with the possible exception of labor, have, however, wanted to change these laws ever since our modern construction industry developed. Unfortunately

SEVEN years in the drafting, the Uniform Lien Act now goes to legislatures. Plenty of men, outside the building industry, know from unhappy experience how badly it is needed

each group wanted to change them in a different direction. The result has been a practical stalemate in most of the states.

The essential idea of a lien law is to make the owner of a completed building pay for the labor, services and materials incorporated in the structure. Obviously, if a plastering contractor who has put labor and some dealer's material into a home or office building, doesn't get paid for his work, neither he nor the plaster merchant can go to the building and rip out the plaster.

A furniture dealer can remove his furniture and recover most of its value if his bill is not paid. None of the building trades can do so. Hence the lien laws were devised to give those who have contributed to the creation of a building a means of collecting their money from the sales price, from income or otherwise from the owner.

Designed to remedy old conditions

THESE laws were not designed to be used against sincere, conscientious and responsible persons who paid their just bills. They originated in the days before large scale building existed, before there was any mass production of materials, before general contracting, sub-contracting and nation-wide merchandising were dreamed of.

In those days mechanics worked direct for the owner, hence the laws became known as mechanics' lien acts. Today the mechanics are little interested in those laws, though they still afford them primary protection. They want that protection but seldom use it to force payment of wages. They simply lay down tools when the pay envelope does not come around at the end of the week; so it always comes around.

Doubtless, under the conditions which prevailed when they were passed, the lien laws were beneficial in nature and constructive in action. They gave assurance to those not in direct personal contact with the owner that work would be paid for. They encouraged the granting of credit, the construction of cities and the development of trade.

In the past few decades certain flaws have been evident. An owner may find, for example, that he is held responsible for the payment of unpaid material, men, sub-contractors, or manufacturers, despite the fact that he has already paid the general contractor for all services rendered and holds a receipt to prove it. He will find that he is expected to pay firms or persons of whose existence he has never been aware. He will find a lien attached to his new property unless he pays again for the services which someone down the line failed to pay for.

General and sub-contractors find that the lien laws
(Continued on page 54)

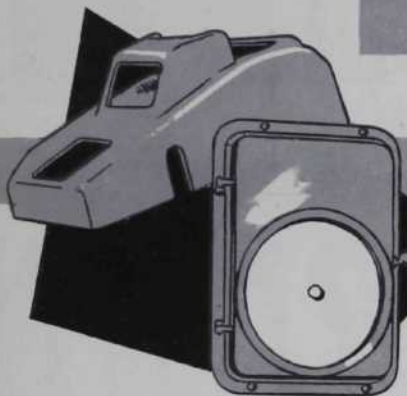


Re-Design Gains Recruits

On one point, at least, the depression has been good for us. It has shown that, unless re-designed, thousands of products will not fit today's, let alone tomorrow's market. . . Product re-design has gained many recruits, and found customers' quick cash approval.

In my work with manufacturers, I have re-designed products as widely different as Street Cars and Coffee Pots . . . and I have always found that Alcoa Aluminum is at once plastic to the needs of design . . . possesses the tensile strength of steel, yet is only one-third as heavy. It can be used in all forms known to the metal workers' art.

Lucius G. Guild



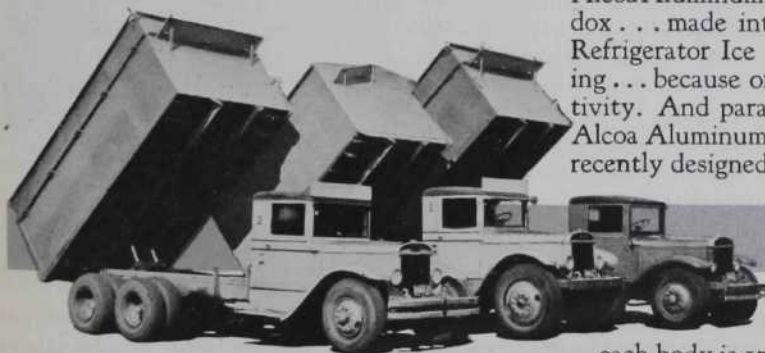
Die Cast, they cost less, are lighter, stronger

For the thin-walled case that must rigidly protect the sensitive actuating elements of the accurate recording pressure gauge . . . a Die Casting of Alcoa Aluminum. A Die Casting also for the Adding Machine Case, because when made of old-fashioned sheet metal it was springy . . . required felt lining to make it sound-proof.



Keeping Things Cold . . . Keeping Things Hot

Alcoa Aluminum exhibits the practical paradox . . . made into millions of Mechanical Refrigerator Ice Trays, it aids quick freezing . . . because of its high thermal conductivity. And paradoxically, the low emissivity of Alcoa Aluminum assures piping hot coffee in the recently designed Early American Drip Coffee Pot.



Re-Design cut dead-weight 50%

And, more important . . . increased the pay-load of these Coal Dump Trucks by 50%. Now the fixed capacity of each body is 17 cubic yards—and side extensions increase it still further to 24 cubic yards. A case of Product Re-Design, using Alcoa Aluminum with first emphasis on its lightness and strength.

ALCOA ALUMINUM

40% less K. W. energy drives it over 60 m. p. h.



A fine example of using the extreme lightness and strength of Alcoa Aluminum in functional Re-Design. Never were dead-weight and air-resistance so drastically reduced in Interurban Car Design. Seldom were operating costs cut so deeply. Material cost? . . . amortized in 39 months by savings on K. W. energy alone.

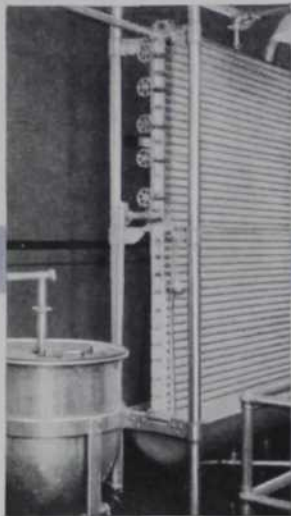


Re-Designed for closer fit, longer life, greater power

Alcoa Aluminum carries off heat many times faster and is only $\frac{1}{3}$ as heavy as old-fashioned metals. The majority of automobiles have Pistons or Connecting Rods made of the alloys of Alcoa Aluminum. These reciprocating parts take 3000 sledge hammer blows every running minute . . . provide greater speed, more pulling power, longer life, less carbon and vibration.



Buildings . . . with Walls of Alcoa Aluminum



The light, strong, corrosion-resisting Alcoa Aluminum alloys convert 8 to 10 inches of wall thickness into income earning space. . . . That's real *functional* Re-Design. Standardized wall sections shop fabricated . . . erected in a minimum of time. Yet these walls . . . only $3\frac{1}{2}$ inches in total thickness . . . have an insulation value equal to masonry walls 32 inches thick.

Sanitary . . . Aluminum cools milk at lower cost

Cooling pasteurized milk is another example of the important jobs that Alcoa Aluminum does. Being non-toxic, Alcoa Aluminum doesn't impart a metallic taste to this vital food product . . . doesn't destroy its delicate vitamin C content. The aluminum tubes are easily fabricated . . . and easily cleaned.



Re-Creating the "Strad" . . . the "Cremona"

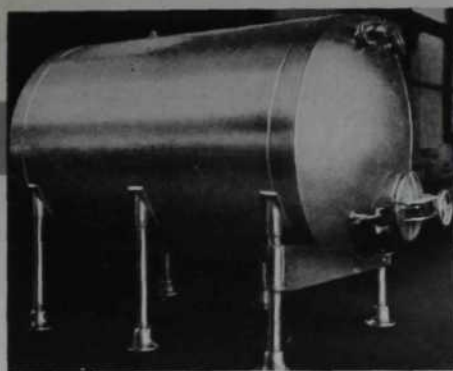
Artists . . . accustomed to wooden instruments . . . played the aluminum ones and were amazed at their tonal qualities and responsiveness. Instruments . . . impervious to weather changes . . . proof against warping, etc., . . . are welded at the joints so that the entire ensemble is a single unit. Back and front panels, neck and key sections are stamped from sheet . . . scroll is composed of two thin die-castings. . . Price? . . . as low as for any good instrument.

● Before you design a new product, or re-design an old one, consider the advantages of Alcoa Aluminum. Parts made of Alcoa Aluminum and its light, strong alloys can be readily forged, cast, welded, joined, machined and finished. Cost is low, on a par with other metals not having qualifications of Alcoa Aluminum.



ALCOA

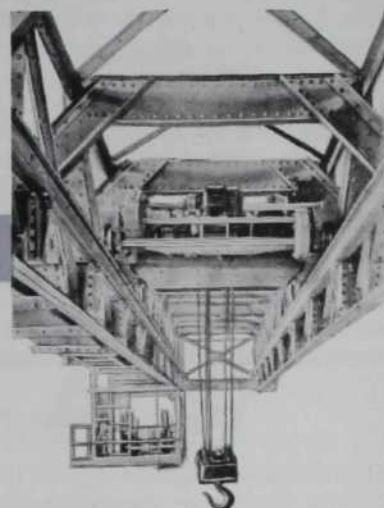
When writing to ALUMINUM COMPANY



Milk Tank... Re-Designed... low cost, long life

Holds 2000 gallons and weighs only half as much as common construction. Outside insulation provided by Alcoa Aluminum Foil which weighs only 1/50th as much as the lightest common insulator. No glass inner lining, because Alcoa Aluminum doesn't corrode, or impart metallic taste to any food.

Builds 10-ton Crane... that weighs 23 tons less



Without previous experience in using the light, strong alloys of Alcoa Aluminum... this Ohio manufacturer stepped out... built a new truss type travelling crane. Built of strong aluminum alloy structural shapes and having an aluminized trolley, it cut weight 23 tons... reduced size of bridge drive motors from 45 to 19 h. p. ... cut cost of structural supports.

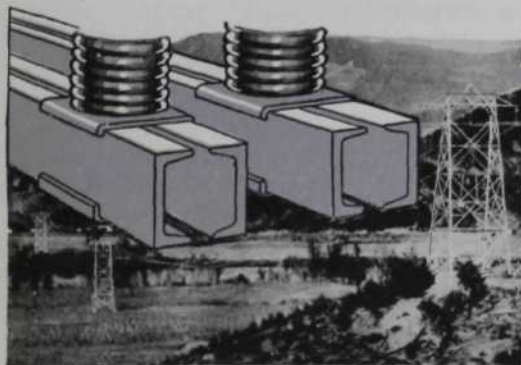


Puts Milk under Tamper-Proof Alcoa Aluminum Seal

Covering the entire pouring lip of the bottle, these Alcoa Aluminum Foil Seals insure that... no one can meddle with the cap without leaving tell-tale evidence... no germs, dust or foreign matter can get IN... and no milk can get OUT. It's a new milk packaging idea... cheap enough to use on all grades of milk.

Re-Design... couples Beauty and Brute Strength

In Aluminum Chairs... beauty is a joy forever... The frames are welded into one continuous piece of metal. Dowels and joints are eliminated. A rigorous work-out, in club, office, convention hall, hotel, restaurant or home, never leaves an Alcoa Aluminum Chair in a weakened condition. These chairs won't loosen or wobble, squeak or splinter.



The hollow-square goes to work..electrically

Re-Design with Alcoa Aluminum scores again!... this time with Channeluminum conductor consisting of two Alcoa Aluminum Channels available in lengths up to 90 feet. Used with either D. C. or A. C. current... need fewer supports because like all other forms of aluminum conductor, they are, for equal capacity, at least 52% lighter than busses made of other commonly used metals. Erected flange to flange, as a hollow square, they provide internal ventilation.

Large warehouse stocks in principal cities enable us to fill your orders quickly. Ask for the name of your nearest distributor. If you want information on how to use, form, or handle Alcoa Aluminum in any manner, please write ALUMINUM COMPANY of AMERICA; 2425A Oliver Building, PITTSBURGH, PENNSYLVANIA.

ALUMINUM

(Continued from page 50)

promote irresponsibility among their competitors. They know that the existence of these laws attracts irresponsible elements into the construction business because of the easy credit conditions provided.

"Since the owner is to be held responsible for all unpaid bills," the irresponsible contractor will say, "why should I worry about the contract price as long as I can get credit? What I want is a volume of contracts with a corresponding volume of money passing through my hands. Some of that money will stick."

Responsible material men have found themselves unwillingly impelled toward undue credit extension because less responsible competitors have looked to the lien laws for security in cases where the responsibility of a contractor has been in question. In addition to this, the laws in the various states differed in major details if not in general principle. Manufacturers and distributors found themselves facing a maze of complications as soon as they started doing business across state lines. The benefits of mass production were hampered, extensive sales campaigns unduly complicated.

Changes wanted, but what?

THE industry generally agreed that the lien laws were a mess. But for a time, agreement stopped here. Some general contractors were not averse to doing away with lien laws entirely in order to discourage irresponsibility within the industry. Some material men and sub-contractors thought that the laws should be changed to provide a ball and chain for any general contractor who failed to pay his bills and who could be captured. There were owners who announced a predilection for rifles and ammunition. There were numerous other ideas and contentions. In fact, it looked as though the last place in America where industrial self-government could be cooperatively applied was in the building industry.

In 1925 a group of manufacturers and distributors conceived the idea of using the machinery available through the National Conference of Commissioners on Uniform Laws to place a Uniform Lien Act on the statute books of the various states. Through the National Association of Builders' Exchanges, they brought the situation to the attention of Herbert Hoover, then Secretary of Commerce.

Mr. Hoover appointed a committee composed of individuals from all major branches of the industry, from the public and from the Commissioners on Uniform Laws and delegated to them the task of drafting a suitable, practical and beneficial lien act which would meet the requirements and have the support of all elements in the industry. Facilities for doing this job were provided and the committee was left to do its work.

As one of the men delegated to help with this task, I can safely say that no one in the committee came to the work with a clear idea of just how it could be done. All of us had our own views as to the viciousness, impotence or beneficence of the lien laws. For five years views were exchanged and debated at recurring meetings. Out of this give and take, came a clear picture of the fundamental questions involved.

A new law was drafted

A LIEN act was devised on the principle that all those entitled to protection under the law, except labor, must assume certain simple, clear-cut responsibilities. Workmen are entitled to payment for their labor and can get it under the proposed law.

All other agencies concerned can file liens and collect within the limits of the contract price if they will take the trouble to notify the owner that he will be looked to for payment. This notice is so designed as to give him plenty of time to safeguard himself as well as the interests of those who have notified him. It will prevent the venal owner and contractor from uniting to establish a ridiculously low contract price

and, through that device, get materials free. It will prevent the irresponsible contractor from preying on innocent owners and material men. It will reveal the bankrupt contractor who, under existing laws, has continued in business just as long as new cost-regardless contracts could be signed.

It will provide penalties for misuse of the funds of an owner. It will, in short, make operative the principles aimed at in original lien acts. It will make them operative in a period dominated by mass production, large scale distribution and widespread construction undertakings. It will not save those who refuse to take the simple steps necessary for their own preservation, but it still assures to any owner, no matter how inexperienced or helpless, that he will receive notice of the steps he must take to prevent being made the repeating paymaster that he has frequently been in the past.

Promoting responsibility

THE entire act has been developed around principles of protection balanced against responsibilities. This proposed uniform law will first ease the difficulties of labor; it will then ease the troubles of the owner and his agent, such as architects, engineer and realtor. It will promote responsibility among contractors and will safeguard every legitimate claim of sub-contractors, material men and manufacturers.

From an industry which had been torn within itself over the question of the lien laws, construction, during the past seven years, has been transformed into one which will support this act.

The proposed uniform law was five years in the drafting, within the Standard State Mechanics Lien Act Committee of the Department of Commerce. It was scanned, studied and revised by the best legal minds of the National Conference of Commissioners on Uniform Laws during 12 months before its tentative approval in 1931. It was laid on the shelf to cool for one year by the conference and was again studied and passed last October. The large majority by which the act passed both the Conference of Commissioners and the American Bar Association means something behind the final recommendation that it be introduced in the various state legislatures for adoption as a uniform law throughout the entire nation.

What remains to be done is more important and more decisive than the long period of hard work which is now behind this effort. The uniform law must be introduced in the various state legislatures and supported by as many interests as it is possible to get behind it.

Much support is assured

I THINK the chances of marshalling this support are good. I believe the major associations in the construction industry will support the act. From the very first indication of the principles on which the proposed uniform act has been based, The Associated General Contractors of America has supported the measure. It has already urged its various branches and chapters to get behind the forthcoming legislative program. Many organizations of material dealers, architects, engineers and sub-contractors have announced their support, and important manufacturers are likewise on record in favor of it.

Perhaps all construction agencies will swing into action for the new laws behind the Construction League of the United States, because that body has under discussion the best ways and means of bringing the act onto the state statute books.

Business men outside the construction industry have a sizable stake in the outcome. It may take another three years to win the lien law fight, making ten years in all on this question.

Ten years is a long time to spend on any question, but to get a practical and hole-proof lien act will be worth the time and effort it has taken.

Chain Stores and Cooperation

★ HOW DEEPLY the chain store has penetrated the fabric of community life is indicated by the efforts of commercial organizations to define its attitude toward civic cooperation. It is no secret that the chains have been charged with indifference and even with contempt. Last summer the National Association of Commercial Organization Secretaries undertook to put hearsay to the test of fact. Its Chain Store Committee under the chairmanship of M. D. Liming, secretary of the Boston Chamber of Commerce has just reported.

On the whole, the committee found, "it appears that chains are probably supporting commercial organizations at least as well as are other progressive interests."

To the question "Are chain stores this year giving to your organization as much financial support as in previous years?" 302 of the 477 secretary members responding, or 79 per cent of the membership, answered "yes," and 131 said "no." Every state in the Union, the Dominion of Canada, the District of Columbia and Hawaii contributed information.

Chains do cooperate

ON THE question of cooperation with fellow merchants in commercial organizations, 364 secretaries reported that chains were cooperating with their organizations in addition to general financial support. While 76 secretaries said they did not receive such support, some of them qualified their negatives.

Reasons given for not supporting local organizations included "the depression," lack of interest in the local chamber of commerce, the necessity for store managers to pay dues out of their own pockets, inability of managers to get an "O.K." from chain headquarters, inability to get in touch with a person in authority, "buck passing," and the explanation from a chain executive that he contributed to similar organizations in his home town.

Some chain managers are reported as professing to believe that the local chambers of commerce show preference for independent stores. Some of the secretaries complain that managers refer them to the home office and that the home offices usually do not answer letters. A frequent reason for not supporting local chambers, as given by local chain store managers, is that the company should bear the expense. On the other hand, it is said that if requests

for chamber support are referred to the home office, the matter is usually handled by correspondence which is not always successful.

Significant of the scope and thoroughness of the committee's inquiry, is the careful qualification of its findings, the main currents of which are indicated in the following paragraphs:

"The conviction seems to be growing among chain executives that it pays chain organizations to be identified with well conducted Chambers of Commerce. They regard this support as a paying investment. Such support of commercial organizations is a challenge to those who criticize chain organizations.

"Many chain executives are leaders in public spirit and have shown a disposition to do their share in carrying on effective commercial organization work. The high caliber of these chains and their notable success give added point to the fact that these chain groups believe in chamber of commerce work and are willing to back their belief with cash.

"It is recognized that conditions throughout the country are not uniform and that, in reaching conclusions, some allowance must be made on this account. Moreover, there are great differences among chains in the various fields. This applies not only to the civic interest of individuals in chain organizations, but to economic and other conditions beyond their control.

"Of course some chain executives profess not to believe in commercial organizations. Some excellent chambers are getting little or no support from good chains. The committee realizes that perfection can never be attained, but it believes that good work and patience can reduce these cases of non-cooperation.

"Where the support from chains has declined, the decline has probably been no greater than that from other kinds of business. If a man does not have the money, no one can expect him to pay his dues. On the other hand, many business men know that a reasonable investment in a commercial organization should be one of the last expenditures to be cut out, even though their business may be temporarily in the red.

"The committee realizes that non-cooperation with a chamber is not always due to lack of appreciation of chamber work. Some chains have recently faced financial problems, just as have other lines of business. The committee also appreciates that a chain may maintain or even reduce the number of its chamber connections and at the same time

increase the total amount contributed to chamber work as a whole. This naturally pleases those who obtain the increase and displeases those who do not get the support they seek. Reports regarding the policy of a given chain are therefore by no means uniform.

"Where lack of chain support is the fault of the local organization, the remedy appears to be clear and relatively simple. Where it is the fault of the chain representative, efforts for better understanding and appreciation are necessary. The remedy here is likewise clear, but not so simple.

"Some local organizations are not receiving chain store support because the organizations have not demonstrated their leadership—have not made it appear necessary or worth while for the chain to cooperate. Sometimes this is a reflection of the antagonism of the independents who belong to the local Chamber.

"The National Chain Store Association has shown a gratifying spirit of cooperation with NACOS. This mutual understanding and cooperation should be encouraged.

Some who won't cooperate

"THE committee does not believe and certainly does not intend to convey the impression that, where chambers are not receiving chain store support, it is generally the chamber's fault. There are, of course, many reasons for such lack of cooperation. In some cases the fault clearly is with chain executives. There have always been, and probably always will be, some executives who cannot or will not see the value of commercial organization work. These men are not confined, however, to any single kind of business.

"It is a well established principle that he who seeks equity should do so with clean hands. As members of NACOS it should be our duty to see to it that we are doing our part. Then we will have a right to expect cooperation and, if we don't get it, the blame will not be ours.

"No satisfactory substitute for the commercial organization commonly called a chamber of commerce has yet been devised. Primarily a business institution, it works for the whole community. It is intended to serve, and in fact does serve, all business in the public interest. If any important business in a community fails to support it, the community in general, and that business in particular, suffer in consequence."

—R. C. W.



WHEN aviation was very young, it was romance enough that man could fly. To-day, with organized air lines criss-crossing the country, the romance of aviation is finding new expressions—in establishing new relationships between time and distance; in shrinking the nation's business map to a third of its former size.

Organization has brought security and stability. American Airways, Inc., is a nation-wide sky system, as thoroughly supervised and controlled as any great railway network. You can travel with confidence and comfort over its 9687 miles of established routes, and save, on the average, two-thirds of your travel time. Chicago to New Orleans in 9 hours. Cincinnati to Atlanta in 4¼ hours. Coast to coast with the loss of one business day.

American Airways, Inc., operates 86 separate daily schedules, with a daily mileage of 31,201. 63 principal cities are on its lines. It serves 64% of the nation's population, 59% of the country's wholesale purchasing power.

If you appreciate the value of generous rebates on your travel time, make your next trip by American Airways. Reservations: Postal Telegraph, Western Union, hotels, travel agencies, or local American Airways offices. American Airways, Inc., 220 N. 4th St., St. Louis, Mo.



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A Division of The Aviation Corporation

When writing please mention Nation's Business

Adding 400 Workers

The Kellogg Company's Six-Hour Day

✓ ON DECEMBER 1, 1930, some 430 new employees tramped into the plant of the Kellogg Company, cereal manufacturers of Battle Creek, Mich. The event was of more than ordinary importance, not only because the Company was hiring people in the midst of a depression but because it inaugurated an innovation in manufacturing technique.

That innovation was the six-hour day—a plan which has now been in successful operation more than two years and which the Company announces it will continue regardless of future business conditions or a let-up in unemployment.

For obvious reasons the same method cannot be applied successfully to all industries, but, so far as its own business is concerned, the Kellogg Company finds that it solves many problems.

The plan has proved so practical at the Battle Creek plant that, in September, President Hoover invited W. K. Kellogg, founder and President of the Company, to his Rapidan Camp to explain the workings of the plan in connection with the President's own program for spreading employment.

Mr. Kellogg told the President that experience in the Battle Creek plant had shown it to be possible, through the six-hour day, to increase the number of employees by 20 per cent without loss to stockholders or hardship to workers already employed. He stated that the plan has in no way impaired earnings of the Kellogg Company and that employees were heartily in favor of it and its permanent retention.

When the Company inaugurated the plan, four six-hour shifts were created in place of three eight-hour shifts. The new shifts were organized as follows:

- Shift 1—6 A.M. to 12 noon
- Shift 2—12 noon to 6 P.M.
- Shift 3—6 P.M. to 12 midnight
- Shift 4—12 midnight to 6 A.M.

Under the four-shift system the workers on each shift enjoyed equal advantages. This eliminated any reason for extra pay for any shift. It also eliminated the interruption of work for meals, as each shift worked through without a break.

Without a readjustment of the wage scales, the shorter working time would have materially reduced workers' earnings. Therefore, before the change was made, it was necessary to develop a scale that would maintain the employees' purchasing power, and that

would not materially increase the cost of production. After a careful study the hourly rate of employees was increased 12.5 per cent (since raised to 25 per cent for women employees), with a minimum wage of \$4.00 a day for male workers. The minimum is the same as under the eight-hour system.

In addition, bonuses were established for meeting standards of production, quality of work, waste elimination and neatness. It was calculated that, although employees worked two hours less each day, the new wage scales would give them the same purchasing power they had in 1928 when commodity prices were much higher than at the end of 1930.

No disadvantages in short day

TO DATE the Company has discovered no real disadvantages in the six-hour day. The advantages have been many. Daily production of the plant as an operating unit has increased—due at least in part to the fact that the worker is able to maintain a faster pace, with less strain and fatigue, over a six-hour period than over a period two hours longer. This increased rate has meant a better return from the capital invested in plant and machinery.

Aside from eliminating waste involved in the slowing down before and after the lunch period, the plan has eliminated the expense of operating a cafeteria.

As for the worker, he has had more time for recreation, for home study, and for such profitable employment as the cultivation of his own vegetable garden. Shorter hours have lessened fatigue and lightened the strain of monotony in connection with certain operations. He is able to have all his meals at home, thus cutting down living expenses. That health has been improved is indicated by the fact that there were materially fewer employees on sickness benefits in 1931 than in 1930, despite the increase in the working force.

The experience of the Kellogg Company seems to indicate that the six-hour day offers a practical method of spreading work, particularly where, as in practically all continuous process plants, overhead charges are high in comparison with labor costs. More packages of cereal per dollar of overhead have been an important factor in keeping down production costs of the Kellogg Company in spite of the larger total payroll.

That Payless Overtime

★ THE way men pour out of a plant the instant the quitting whistle blows is sometimes a kind of self-defense on the part of the workmen: they have learned that some employers will take advantage of them to get labor for nothing. In a small plant we can see more clearly how it works.

My friend, the tinsmith in the Blank Company Works, joined me walking down the street just after quitting time on a January afternoon. He acted grouchy. I asked why. He replied, "It's just my annual peeve at the boss. You know Mr. Blank is the whole works at our plant. He's a square shooter, but in some respects his mind is a hold-over from a by-gone day when a workman had few rights. The matter of overtime is one of them.

Overtime and dull periods

"AT our place we can figure that January will be dull; and things will go along at a fairly steady pace during the spring and fall, but in the three summer months we'll get occasional rush orders. When things pop, everybody hustles; we don't watch the quitting whistle so closely. Nobody begrudges giving the old man an extra fifteen minutes in an emergency without pay.

"My work is largely getting things ready for other men. In a pinch, I may stay a half hour later than the rest of the gang, so things will be all set in the morning. I don't put in any charge for that overtime. The old man knows I do the work and don't charge extra. You'd think he might remember that fact from July till the next January. But he does not!

"In January we usually have enough work to keep us busy about three quarters of the day. Then we make repairs around the plant. After that there is a certain amount of time when we can't be usefully employed.

"He forgets the work we did without pay in July. Now he will ask the men to do a job the long, hard way instead of the short, easy way just so he can feel they're busy. If we finish our jobs 15 minutes before quitting time, we don't dare sit down. We just take our hammers, and stroll around, and occasionally tap on something. We know we aren't doing anything and he knows we are not doing anything. As long as we move around, however, he's satisfied.

"The boss is losing a chance to build good will for himself without cost. We'd feel better about that unpaid overtime last summer if he'd give every man a couple of afternoons off with pay in January. We could use them to good advantage, too."—RONALD FOXCRAFT.

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Insuring Drivers' Responsibility

(Continued from page 36)

to write automobile liability insurance in the state. Just how much the stock companies now writing such insurance in Massachusetts have lost during the past five years is difficult to determine, but is estimated at \$10,000,000.

Efforts to remedy some of the most notorious defects in the law have failed. A year ago a special session of the legislature considered the problem. In calling the session, the Governor suggested that it might be wise to abandon the law. But no agreement could be reached, and the session adjourned without action.

The so-called safety-financial responsibility laws constitute the other plan. The fact that this plan is spreading rapidly while the Massachusetts plan has had no converts evidences its comparative advantages. Laws of this type are operating in California, Connecticut, Delaware, Indiana, Iowa, Maine, Maryland, Minnesota, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Rhode Island, South Dakota, Vermont, Virginia, and Wisconsin, and the Canadian provinces of British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario and Prince Edward Island.

Separates irresponsible drivers

THE laws vary in detail; some are only rudimentary; others are poorly formulated, and one—the New Hampshire law—differs radically from the general plan. However, all are designed to apply some or all of the principles of the so-called model "Safety-Responsibility Bill" formulated and advocated by the American Automobile Association. This bill provides for "proof of financial responsibility" in case of non-payment of judgments for damages resulting from motor accidents and in case of conviction for violating the motor vehicle laws, particularly those relating to public safety. In case of conviction, license is suspended until assurance of future financial responsibility is given. In case of judgment, license is suspended until the judgment is settled and responsibility in the future is assured.

In effect, this plan rejects the principle of universal compulsion in favor of the selective principle. Motorists who have proven themselves to be insolvent, reckless or lawless are put into a class by themselves and required to offer proper security before they are again permitted to use the highways. Careful and competent motorists are spared the affliction of indiscriminate compulsory insurance.

The Committee on Automobile Accident Cases of the State Bar Association

of Wisconsin fully recognizes the situation involved in a choice between these two principles. Reporting in June, 1932, the Committee says:

One of the greatest objections to the adoption of such a plan (the Massachusetts plan of compulsory automobile liability insurance) in Wisconsin is that many farmers, laborers and others of small or moderate means would resent being forced to carry insurance where they had a previous record without fault. They would regard it as an additional tax for the privilege of driving a car, imposed by the State We believe the sentiment among persons of moderate means is strongly against the imposition of such a requirement on them as a condition of driving family cars. . . . An unpopular compulsory requirement is usually not successful, and such seems to have been the experience in Massachusetts.

The action of the National Conference of Commissioners on Uniform State Laws and of the American Bar Association at their recent annual meetings in Washington, D. C., in recommending for general adoption a "Uniform Automobile Liability Security Act" indicates the trend of informed judgment in favor of the selective principle. The "Uniform Automobile Liability Security Act" follows largely the plan of the American Automobile Association's "Safety-Responsibility Bill" in the matter of its selective application and its segregation of offending motorists into a special class. It differs, however, in some details which are believed to be essential to its smooth, practical and economical administration but to which we need not here further advert.

A common objection to the safety-responsibility laws is that they permit each car owner to have one accident which may cause injury before he is required to put up security. But such of these laws as conform at all closely to the model give the injured a powerful weapon to enforce payment of the judgment even for the first accident. As J. P. Bickell, Registrar of Motor Vehicles of Ontario, explained recently:

"The real value of the provision of the law requiring suspension for failure to satisfy judgments will never be known, because its very existence results in the satisfaction of judgments before plaintiffs in actions for damages have occasion to ask its application."

Further, these laws tend greatly to increase the proportion of insured motorists and to bar reckless and irresponsible drivers from the road.

In addition, the available records indicate that these safety-responsibility laws do promote safety because drivers know that they will lose their licenses if they cannot pay judgments or are found

guilty of major traffic violations. The state commissioner of motor vehicles for Connecticut reported a decrease of between ten and 15 per cent in the number of deaths and injuries in 1930 as compared to 1929. In New Hampshire the fatalities in 1930 were eight per cent less than in 1929. Maine, in 1930, had only 12 cases where a failure to meet a judgment led to the revocation of licenses.

Promotes safe driving

IN THIS connection I quote again from Registrar Bickell:

It is undoubtedly the most advanced type of safety legislation yet enacted and, in conjunction with our driver's license law and the highway safety publicity campaigns, it is not only encouraging safe driving but is eliminating those drivers who have, by reason of their driving record or their failure to discharge obligations to persons who have been injured as a result of their driving, demonstrated that they are unfit to operate motor vehicles.

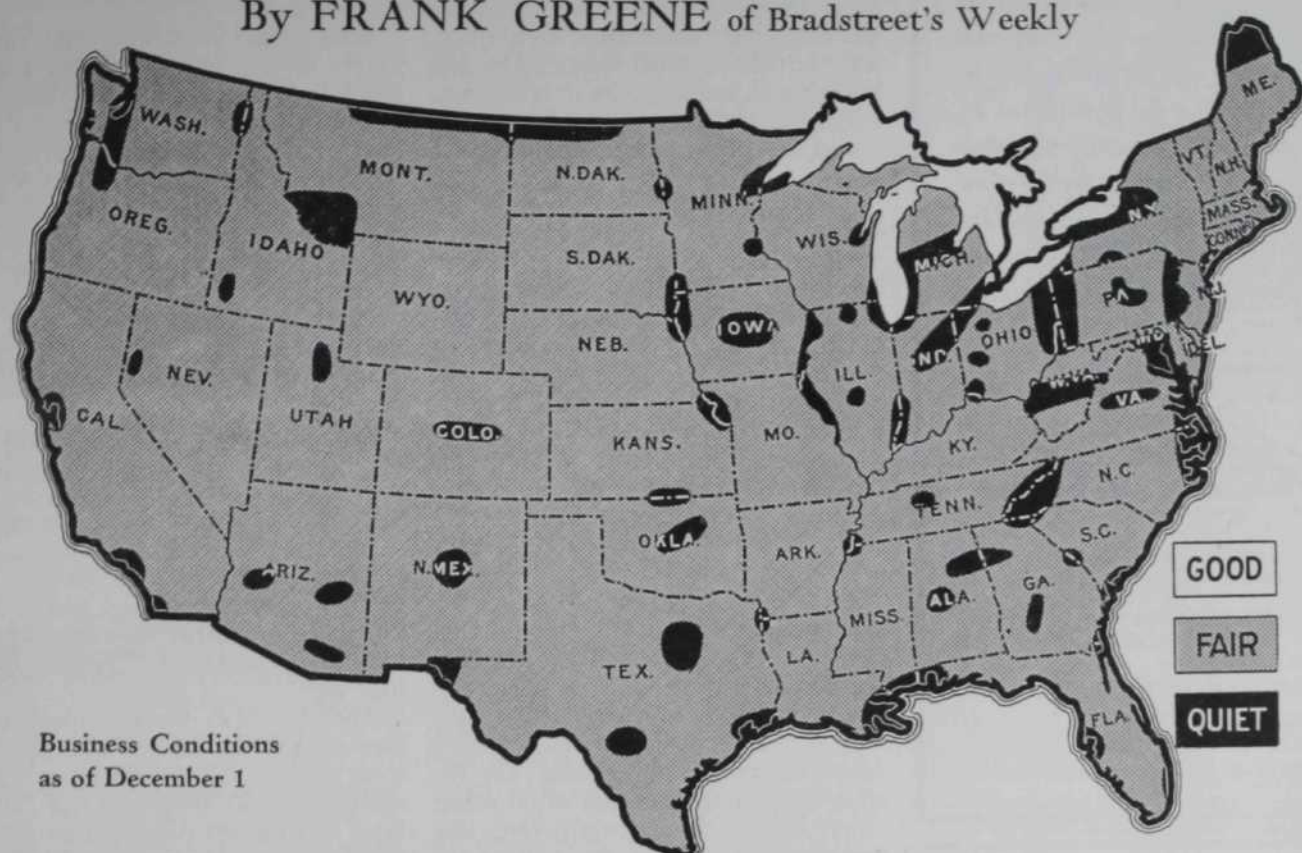
These laws also have promoted the voluntary buying of insurance. The estimated percentages of cars insured in 1930 in the states adjoining Massachusetts having financial responsibility laws are as follows: Connecticut, 56.5; New Hampshire 48.4; New York 43.2; Vermont 43.4; Rhode Island 33. These percentages are increasing. They are to be compared with an estimate of 25 per cent for the whole country.

The objectionable and expensive intrusion of politics as a result of compulsory insurance for all cars is practically eliminated by the safety-financial responsibility laws. They have not increased litigation. They have not forced the careful and law-abiding car owner to bear the greater part of the damage done by the reckless and incompetent.

The stock casualty insurance companies primarily are interested in accident prevention. Each year they are spending large sums in educational campaigns for that purpose. They believe these efforts worth while. They oppose the Massachusetts plan because it does not benefit the public. They also, on principle, object to any law which compels people to buy what they, the insurance companies, have to sell and which compels them to provide insurance for the reckless and unfit. Although not committed to the safety-financial responsibility laws as the last word on the subject, they believe that such of these laws as conform closely to the model bill of the American Automobile Association offer, from the standpoint of public welfare, much the most satisfactory and effective plan so far devised.

The Map of the Nation's Business

By FRANK GREENE of Bradstreet's Weekly



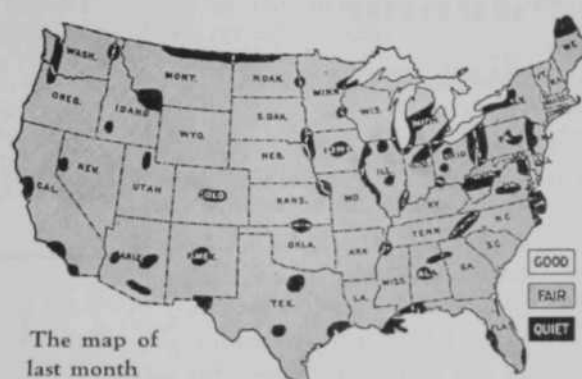
THE DECLINES in prices of commodities, stocks and bonds continued in November, though at a diminishing pace. Retail trade held up better than did wholesale

★ NOVEMBER passed unregretted except perhaps by those who benefited by the greatest political sweep in the country's history. These election results were taken equably, but the projection of the foreign debt settlements into the picture in mid-month, followed by a weakening of sterling exchange to the lowest point on record, made for a continuance of the reactionary movement in commodity prices, more especially farm products, and a sympathetic slump in stock and bond prices. The recessions in commodities and stock and bond market averages did not equal the declines of October, however, although the continuance of the latter month's declines cancelled about two-thirds of the advance of the summer in the case of commodities and of about one-eighth of the earlier advance in stocks.

Wholesale and jobbing trade and industry quieted down rather more than seasonally.

Retail trade, although showing a disposition to lessen when and where weather conditions were too mild for fall and winter buying, got support from early holiday buying.

The so-called heavy industries were not prominent in the early summer and autumn rise and, therefore, did not have to retreat. The lighter industries presented rather marked steadiness, except that most of the textiles, cottons leading, tended to be affected by the declines in raw material prices. Steel gained over the autumn average, but building was down badly and lumber reflected this. From now on, comparisons



Lighter industries, textiles excepted, were steady during November, while steel gained somewhat and building and lumber declined from autumn average

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should tend to favor current trade as compared with that done a year ago.

In commodity prices, the general index declined about one-fourth of the October drop with foodstuffs showing a slight gain on balance. Live stock rallied slightly after cancelling most of the rise from June. Coal and coke, chemicals and drugs were unchanged, while fruits, textiles, metals, naval stores, hides and leather, oils, building materials and miscellaneous declined, the four last mentioned to a very slight extent.

Grains make new lows

THE grains made new lows in November with wheat futures repeating this action early and again late in that month. A feature here, however, was that cash grain sold in some cases three cents above the current month's future delivery. This strength in "actual" wheat is explained as being due to the fact that the farmer himself, rather than outsiders, was the largest holder of that grain. Wheat, corn and oats all made new 40-year lows.

Hints on possible future grain trade happenings are afforded by reports that world shipments to importing countries are 40 per cent below a year ago and drouth is reported in parts of the Russian, Indian, Balkan and Southwestern American winter wheat belts. On the other hand, it appears that world wheat supply heavily exceeds requirements and that the United States has half of the world's old crop surplus unimpaired.

Despite the general weakness of prices in October and November dairy products held up pretty well, butter and eggs

especially. Low prices have made either for elimination of some production or have induced expansion of consumption.

October and November saw a number of concerns begin work on new automobile models, but October saw production of new cars at the low point of modern times.

With cooler weather, some of the weight of coal offerings seems to have lifted. Industrial demand had previously taken up some of the slack and a good deal of the expansion in carloadings noted in October and November was apparently due to curative effects of enlarged household and industrial demand which, however, is still below a year ago.

Perhaps it is too early to shout that the railroads are coming "out of the woods" but September showed a 22 per cent decline in gross receipts, while operating expenses fell 26.7 per cent and net railway operating income dropped only 10.4 per cent from a year ago.

Comparing this with the nine months of the calendar year's showing of 27.8 per cent decrease in gross, 26.7 per cent drop in operating expenses and 50.5 per cent decrease in net railway operating income indicates that things are mending.

The American farmer, speaking of him collectively, had a total gross income of only \$5,240,000,000 in 1932 as against \$11,950,000,000 in 1929, but as taxes and interest combined constituted 26.6 per cent of the gross income in 1932, as against only 12.2 per cent in 1929, it does not occasion wonder that the farmer leaves home, or that the home leaves him, *via* foreclosure.

Cooperating to Help Business

★ IN AN effort to improve the industry's business, the Manufacturers' Section of the American Gas Association has attacked the problems of uneconomic sales practices and litigation over patent rights.

The Manufacturers' Section has proposed a program for cross-licensing of patents which is designed to give better protection to the owners of patents used by the industry and at the same time to allow as much freedom as possible to the manufacturers using these patents. Under this program the manufacturer who evades or disregards the patent rights of others would be discouraged as would the patentholders whose patents after a thorough investigation show no apparent validity.

The Section has also established Standards of Practice and facilities for arbitration which are proving helpful in eliminating uneconomic and unfair trade practices. Selling on other than

regular terms has received much criticism by this Section. Manufacturers, the Section's officers argue, should make no concessions that, in effect, put them in the banking business for their dealers. And cut prices, that is, trimming below their list, inevitably brings forth similar tactics from competitors so that shortly prices are too low for profitable operation and are demoralized enough to affect sales adversely. In this work the Manufacturers' Section differentiates between published price reductions and prices cut by special, unusual, or secret discounts.

All items of the Standards of Practice have been accepted and all have been abided by except a few instances of selling on irregular terms or consignment. These cases have been settled satisfactorily to all concerned by the Association's arbitration facilities, avoiding the litigation over unfair trade practices that might have been brought up.

Tax Reform Comes Quietly

(Continued from page 44)

reached such a dramatic extremity. For every Indiana which has made front page news of its spectacular "battle" against "tax eaters," there have been a dozen states moving toward just about the same adjustments with little headline attention.

Take Indiana, for example. Tax levies of the state and the 1,591 local subdivisions just adopted for 1933 are \$42,545,085 less—\$97,524,506 as against \$140,069,591—than in 1932. That is a 30 per cent reduction—doubly amazing because it follows sizable reductions of the total tax burden in each of the past three years.

The \$42,000,000 cut in Indiana grows out of a radical legislative experiment known as "the \$1.50 law." This act, passed at a special session last summer, says that no unit may levy taxes at a rate exceeding \$1.50 per \$100 of assessed valuation unless a special county board "declares an emergency."

Ten years of work

THAT sounds like quick work, passing a law in July and saving \$42,000,000 in October. But behind it are ten years of persistent public education on tax matters by the Indiana Taxpayers' Association and other voluntary groups.

So Indiana, having held the country's attention for a decade with an earlier experiment—whereby groups of local taxpayers may protest "excessive levies" to a state board with full powers to override the action of local public officials—now takes up a new line of activity. While the new experiment is being worked out—and its potential danger of encouraging floating debt, postponement of bond maturities, and disruption of vital public services is obvious—Indiana citizens have to go back almost to the World War to find a year when the state's total tax burden was less than it is to be in 1933.

Indiana is equaled perhaps only by Mississippi—where a 30 per cent cut for the biennium was ordered last year—in the violence and speed with which it has attempted to adjust public expenditures to available taxpaying resources. Note the contrast between these states and Virginia, for example. Virginia started laying the groundwork for tax reduction with a reorganization of the state government under former Governor Harry Flood Byrd seven or eight years ago. Since then, it has been moving serenely along, living within its income. The 1932 legislature anticipated shrinkage of revenues. It effected many important economies. When they failed

to balance the budget, it was a matter of only casual moment, for the legislature had given Governor Pollard power to reduce appropriations to make them fit available funds. Two such reductions of ten per cent already have been ordered.

Paralleling Virginia in the method of reducing expenditures, and enjoying fairly comparable results, are North Carolina, New York, Michigan and a half dozen of the sorely-pressed mountain and western states. Between the Indianan and the North Carolinian method is a vast gulf. In the one, reduction is "from the top down"—the State telling all subordinate governments that they can spend only so much. In the other, reduction is more "from the bottom up"—with adjustments being made first in the basic spending machinery and in the powers of local governments, with the expectation that they automatically mean smaller expenditures.

Cities likewise show widely different methods of trimming costs to meet current economic realities. Economy in New York City comes grudgingly. As against this, look at Milwaukee. A bulletin from the Milwaukee Association of Commerce tells of a \$12,000,000 reduction in county and city taxes for 1933 and 1934, growing out of the harmonious joint action of public officials and a half-dozen citizens' agencies.

Chicago and Detroit drifted uncomfortably close to paralysis of municipal government before the pressure of circumstances forced violent, swift adjustments, whereas scores of smaller communities—such as Warren, Ohio, where 1933 municipal taxes recently were cut nearly 50 per cent under those of 1932—have seen the obstacles in time to study their situations, work out orderly arrangements, and avert the disruption inevitably attendant upon a major "crisis."

Rounding up the information coming to the National Chamber from several hundred sources, its Committee on State and Local Taxation declared that at least \$500,000,000 had been saved to the taxpayers of state and local governments during 1932, and that at least another \$500,000,000 of savings are "immediately practicable in governments which as yet have done comparatively little by way of retrenchment." The Committee saw as not so far in the future a downward adjustment of the national total of state and local expenditures to roughly the level of 1926, which would mean a further saving of \$1,500,000,000, in direct taxes, and of an additional \$500,000,000 in revenues from other indirect sources.

—MORRIS EDWARDS



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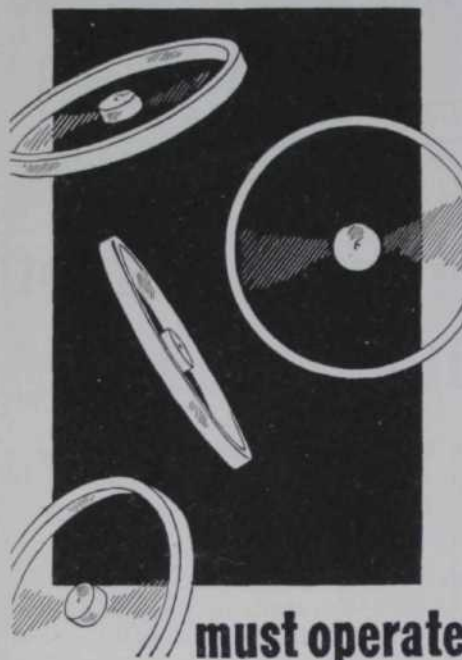
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Laws Can't Make Sound Banks

(Continued from page 16)

was necessary to restore public confidence. With the return of sound, normal industrial, business and financial conditions, confidence will be reborn. This is already evident in respect to the banks. With the drop in the rate of failures public fears quickly subsided. Banks are generally trusted again because they are operating normally again.

Of course this return of confidence is far from universal—those who lost their deposits through suspensions may naturally harbor a lifelong resentment. This reacts against all banks. Others find it to their liking or advantage to keep distrust of banks alive. These are serious facts that must be recognized.

What can the banks do to promote and consolidate the return of confidence that has made some headway?

It will not do to seem to be complacent over the ravages of bank failures in our banking structure. They were unfortunate and, if greater foresight had been exercised, they need never have occurred. But now that they have occurred it is allowable to point out the indirect good that has resulted.

It is a fact that the harm done to banking by overchartering the nation into an overbanked condition has largely cured itself through the convulsive purging of the past three years. Most of the chief causes of weakness and distrust have been swept out of the banking picture. The true strength of American banking is expressed in the compact group of institutions that remain. These are the real banking structure.

There are about 19,000 such institutions. They have, on the average, twice the financial resources and volume of business of the 30,000 banks of a decade ago. There are the economic activities of twice the number of people per bank to provide the basis of their support. Today's banks are generally situated in places able to support them. These things being true, the very steadiness and serviceability of the present bank structure is bound gradually to restore full confidence in the banks.

It cannot be rushed by ballyhoo, or spectacular, and therefore unsafe, financial policies and credit expansion in artificial stimulation of business.

Good banking by sound banks is the best advertising banking can create for itself. However, I believe the time is at hand, as a result of the intrinsically sounder condition of the banking structure, for more active effort by our individual institutions. As a plain practical matter it did a bank little good to advertise itself as a sturdy institution ready to extend financial cooperation to

the business men of its community, when as a simple fact the condition of business made sound banking propositions scarce, and the failure of other banks made its assertions of strength sound like "whistlin' in the dark." These conditions, however, are passing. As normal conditions broaden, the effectiveness of aggressive, constructive policies of business development and stimulation by banking will increase.

A premium on bad banking

THERE is nothing in our experience with governmental activities in business to warrant the assumption that the extension of government activities in banking would mean greater efficiency and safety. The much discussed proposal to guarantee deposits, for instance, would simply put a premium on bad banking and an unjust burden upon good banking. The trial of this plan of protection in various states has been a conspicuous failure. There is no quality inherent in human beings appointed or elected to government positions that is not inherent in private individuals.

While it was inevitable that, in a period of universal depression and economic reaction, the banks should suffer in common with all business institutions, public or private, the conspicuous fact is that the total amount of money involved in the closing of our banks during this period amounts to less than five per cent of the banking resources of the country. It is estimated that about 80 per cent of the depositors' funds in suspended banks have been or are being returned to them.

In spite of the depression, nearly 20,000 banks are still serving their communities. Their resources of more than \$50,000,000,000 include more than 40,000,000 savings accounts, and more than 25,000,000 checking accounts.

There can be no legislative substitute for honesty and efficiency in bank management, nor can there be any adequate legislative provision against the destruction wrought by business recessions. Such changes as are necessary to improve banking practice should come through the lessons of experience and economic necessity, without the aid of academic or political correctives. The American banking system has grown from the soil of American life, adapted to American needs and, on the whole, has served its purpose splendidly. Improvements can constantly be made but such improvements should be sought within the system itself, and not by following the American passion for passing a new law to meet every need.

A New Step in Wholesaling

(Continued from page 48)

ventories and laying plans for the next week's work. Sometimes the driver-salesmen spend a few hours in the stores of some of their customers telling Mrs. Housewife of the merits of this or that product which they carry. This specialty sales work is often of considerable benefit to sales.

The average distributor prides himself on the regularity with which his trucks operate. One Iowa distributor likes to tell this story. Early one morning a boy called at a store to buy a jar of peanut butter for his school lunch.

"I'm sorry, but I'm out," said the grocer. "But Blank's truck will be here at 8:30 with some peanut butter and other things for me. Stop on your way to school and I'll have it ready for you."

"And," the distributor concludes, "our truck drew up to the door on the dot and the boy got his peanut butter."

They work a full day

ONE point sometimes overlooked by manufacturers' salesmen who seek to contact distributors is the fact that the latter are on the job early and late. To call on them means getting up early in the morning or working after dinner at night—often both. Most distributors' trucks are loaded and on their way by seven in the morning, returning to the warehouse between six and seven at night.

Trying to see the owners, especially the smaller operators, between these hours is usually wasted effort. Each truck makes from 35 to 50 calls a day and covers an extensive territory. There is no time to sit around and discuss this and that.

To be successful, the distributor and his men must, of course, be sound, convincing sales producers. As one Michigan distributor puts it:

"I try to make some sale at every stop, even if I only leave a little 50-cent order. That gives me a better excuse for my next call. Of course, sometimes the grocer finds himself with some of my goods still on hand and doesn't need to re-order on that call. If so, I consider that I have loaded him up too heavily on my previous stop. I try to sell him only what he can dispose of between calls."

To the manufacturer who wishes to introduce his food specialty quickly in a certain territory, the distributor is a friend indeed. Usually the distributor's driver-salesmen are on such friendly terms with the grocers on their routes that it is a simple matter for them to

place a few packages of the new product in nearly every store they visit. If the manufacturer will back his product with the proper kind of consumer advertising, he will usually find his sales in that territory most gratifying.

Drivers make business

FROM the standpoint of the distributor, the personal relationships between his men and his trade are sometimes dangerous to him. If one of his driver-salesmen decides to go into business for himself, he can often take most of his former employer's customers with him. Nowadays most distributors require their driver-salesmen to sign an agreement not to engage in the distributing business in that territory for a certain time—the period depending upon the way that state's laws read.

Many distributors, after they have become well established in their territory, engage in light manufacturing. Such items as horse-radish and mustard are the favorites for manufacturing. Often they buy pickles and other items in bulk and repack them.

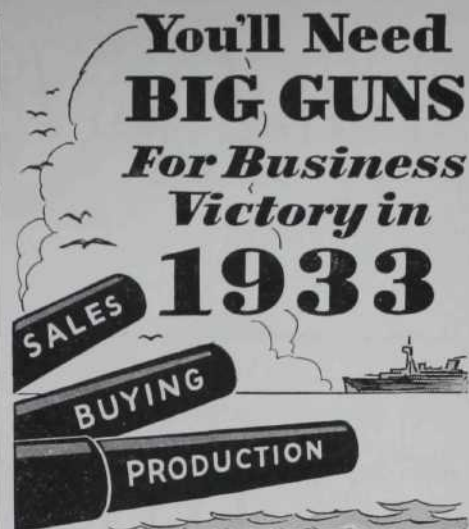
The question of private labels is an important one for the distributor. Sometimes after the distributor has built up a brisk demand for a certain product, the manufacturer decides to handle it with his own trucks or turn it over to some other distributor. To overcome this difficulty, some of the larger distributors sell under their own label when they can.

The problem of discounts

THE question of granting extra discounts to chain stores and other large buyers is a perplexing one which the industry constantly has before it. Some distributors claim that the chains deserve no special discount unless they take delivery for all stores at their central warehouse, the contention being that it costs just as much to service the chain's units as it does to service individually-owned stores.

One prominent western distributor solved the question by announcing that, after a certain date, discounts would be standardized at five per cent on all purchases above a certain quantity, regardless of how much over that quantity was bought.

Although there was opposition to this move, he stuck to his guns and gradually brought one after another of his old customers back. Today he is selling every chain store in his territory, as well as the independents.



TO INVADE and capture profitable, competitive markets in 1933 will require your best strategy . . .

Equipped with ALL THE FACTS ON BUSINESS, you can be reasonably sure that your sales, production and buying artillery will NOT be outranged . . . You'll find these facts—complete, readable, timely, authoritative—in the January 28, 1933 issue of—

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A QUARTER CENTURY

THE C.I.T. institution this year passes the quarter century mark with unbroken continuity of management and policy. From a yearly volume of less than a million dollars in 1908, its first year, it has grown to where it is currently financing that volume of sales each working day.

Two well-evident trends in American business have worked to promote C.I.T.'s growth. The offer of time payment credit, as industry after industry has discovered, is a powerful instrument for increasing sales.

Concurrently with this growth in credit selling there has been a growth in realization, on the part of the manufacturer and merchant, that *making credit sales and financing them* are quite different functions—the latter a banking function best entrusted to a responsible, experienced financing company having specialized facilities beyond what the individual firm can afford to maintain.

In the twenty-five years since its foundation C. I. T. has repeatedly been called on to adapt its Sales Financing Service to new industries. No challenge has been refused that could be met without departure from the principles of sound banking. Nor will be.

COMMERCIAL INVESTMENT TRUST CORPORATION

Executive Offices: One Park Ave., New York

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BANKERS TO INDUSTRY EVERYWHERE
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Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS



NEW YORK, DECEMBER 10
THE jest, growing somewhat stale, that stocks went down whenever President Hoover made a speech, died for good with Mr. Hoover's last message to Congress. On Tuesday the market reacted favorably to the general message to Congress and there was a further slight rise on Wednesday after the budget message to Congress.

It was hope of budget balancing that seemed chiefly to influence the market. Said one shrewd observer of things financial:

"The stock market needs, the banking district needs, the business world needs two things, a balanced budget or a long forward step toward a balanced budget, and some kind of an agreement, a sort of economic truce on intergovernmental debts."

Debts to the fore

THERE'S no doubt what Wall Street has been talking about this last four weeks. The foreign debts have occupied the center of the discussion stage.

The unusual, almost undiplomatic, directness of the British note, the contrasting tone of the French communication, the report of the Strawn Committee to the Board of Directors of the United States Chamber of Commerce, all helped stir up interest in this subject.

No cancellation favored

THERE is no great amount of talk now in favor of outright cancellation of the debts.

Even those who believe that such a course might be the part of wisdom are conscious that the sentiment against cancellation is so strong that there is no use in discussing it.

On this point the Chamber's Committee was definite:

The Committee . . . finds no good reasons either in the interest of world recovery or in the self-interest of the American taxpayers and business men for acceding to such proposals. The integrity of intergovernmental debt agreements entered into voluntarily and in good faith should be maintained.

It is only with the maintenance of confidence in obligations of governments that the free flow of credit in international channels,

on which world recovery and world advancement so largely depend, may be expected to continue.

Permanent settlement

WITH that assertion the Committee proposes "a settlement of them on a basis that will dispose of them once and for all and keep them from dominating the discussion of international questions."

In the opinion of the Committee, American interests would be safeguarded if, in consideration of a debt settlement, this country could be assured of a reduction in armaments which would lighten the burden of taxation on Europe and on us.

Another thing which this country should expect in return for a new agreement on debts is "the opening of foreign markets to American trade on fair competitive terms."

International fire sales

I PUT this question to an officer of one of the largest Wall Street banks:

"Don't you think you and your associates in this particular neighborhood are putting too much importance on debts and debt settlement?"

"No, I don't," was the answer. "I'm not saying that because of the importance of our foreign trade and the effects of the debts on that. Foreign trade is valuable but not vital to us. After all it's only ten to 15 per cent of our business and we have the largest developed and undeveloped market in the world right within our own borders."

"What really is important in my opinion is that the debts are helping to force every country in Europe to try to undersell every other country. Germany is struggling and with considerable success to keep down her imports and force up her exports, regardless of price. Her example is followed by other nations and we have the whole world holding a series of fire sales. So long as we have that we can't expect commodity prices to go up and a rise in commodity prices is a necessity for any real prosperity."

One of our advantages

THE Chamber's committee seems to take somewhat the view expressed to

me by a banker when the debts were under discussion:

"We shouldn't even consider cancellation. The debts are our blue chips in a game of tremendous importance. If we play them right we can help ourselves and the rest of the world."

Drained of gold?

THE British note of December 1 had this to say on that point:

The creditors, in so far as they have refused acceptance of payment in goods, have compelled their debtors to pay in gold. This has led to a drain on the gold reserves of many countries, and this in turn has forced up the price of gold in terms of commodities, or, in other words, has forced down the price of commodities in terms of gold currencies.

This fall in prices has caused widespread ruin to producers in debtor and creditor countries alike and threatens disastrous social and political repercussions.

Some days before this reaches NATION'S BUSINESS readers, they will know more definitely what the various countries can and will do. Important to watch will be the effect of payment by Great Britain on the pound which reached early in December a new all time low and the effect of a fall of the pound (if it falls) upon other currencies, upon commodity prices and upon sales of foreign goods here.

Whatever bitterness of feeling there may be over the debt situation seems to focus upon France. There is still resentment over French raids on our gold stocks and the Man in the Street is likely to say: "France can pay and won't. England can't pay and will."

At this writing there can be only speculation as to the British and French final action.

Separate settlements

THAT feeling has led in some quarters to a suggestion that if Great Britain pays even in part there may be after the storm has quieted down a chance for a separate agreement with her, that might help to bring about that economic peace which seems so needed in Europe. There was a hint of that in the note to Great Britain of December 8.

The difficulty of course, of such a

Dedicating the New Year to New Business

AN outstanding accomplishment of the Associated System in 1932 was the payment of \$47,529,802 in maturing obligations. An outstanding objective in 1933 will be development of New Business, from these sources:

FACTORIES—System engineers and experts on industrial processes are helping industrial customers to reduce operating costs through wider use of electricity for power, and gas for heat.

STORES—Studies have been made of the use of electricity and gas in successful food stores, restaurants, bakeries. Trained Associated representatives are using this information to help less successful establishments make more effective use of these services.

HOMES—Employees are cooperating in a Business Building Plan inaugurated



Proper lighting can add 11% to retail store sales.

last year to develop prospects for appliance sales. Domestic customers are encouraged to equip their homes more completely with electric and gas appliances, the cost of appliances and their operation to be paid in stated equal monthly amounts.

For information about facilities, service, rates, write

Associated Gas & Electric System
61 BROADWAY NEW YORK



Golf Courses are green all year in New Orleans

Get the golf clubs out of storage and come on down right now. With kindly sun, balmy breezes and greens in perfect condition, you should have scores to wire home about. Ask any pro who has played in winter tournaments here. While you're golfing, the wife can enjoy the charming Vieux Carre with its reminders of old France. And there's horse-racing, hunting, fishing. There's real diversion every minute here in America's Most Interesting City. Travel costs were never so low—and you are just a day away. We'll help you arrange your sightseeing and sports. Write today or see us when you arrive.

NEW ORLEANS

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Don't be caught unprepared when prosperity returns. Rewards will be greater for the man whose training is up-to-date—competition will be keener for the man who has neglected training. Many LaSalle-trained men are getting pay raises—promotions—right now. They are compelling prosperity today—and insuring larger prosperity in the future. Find out how they are doing it—how you can do it. Just check your subject below, write name and address on margin and mail today.

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LA SALLE EXTENSION UNIVERSITY
Dept. 1374-R Chicago

Our Vanishing Freedom

A series of radio talks by Merle Thorpe, editor of NATION'S BUSINESS
Over the National Broadcasting Company's Coast-to-Coast Network.

Every Saturday 7:15 to 7:30
Eastern Standard Time

BEE-LINE TO PROSPERITY

Bristol, England, is thriving. The Development Board, 1, Bristol Bridge may have some successful idea for you. Why not write?

plan lies in getting it through a Congress which is pretty well determined that a debt is a debt and should be paid.

Effervescent stocks

IF DEBT settlement should fail as a topic of discussion, it is always safe to bring up beer and its effect on business in general and the stock market in particular.

Wall Street has a lot to say about "beer stocks" in the last few weeks and the get-rich-quick boys are active with questionable issues which they assure you will soar to unbelievable heights if a beer bill is passed.

Who will be helped?

WHAT industries would be affected if beer were made legal? Here's a fairly complete and accurate list:

- Agriculture: Barley; Malt; Sugar.
- Breweries: (Nearly billion dollars invested capital in 1914.) Estimates of upwards of \$100,000,000 to be spent for re-opening.
- Bottling industry.
- Bottle filling, corking and capping machinery.
- Mechanical Refrigeration.
- Machinery: Ammonia compressors; Pumps; Scales.
- Chemicals: Soda ash; Caustic Soda; Ammonia; Carbon dioxide; Alcohol.
- Transportation: Trucking; Motor Truck Manufacturers; Railroad Traffic; Tank car Manufacturers.
- Retail merchandising: Grocery chain distributors.
- Advertising: Newspaper; Magazine; Billboard.

ADVERSELY affected will be soft drink manufacturers and dispensers (many of whom stoutly deny the allegation, on the theory that competition is the life of trade).

A new low in sales

SAMUEL M. VAUCLAIN, Chairman of the Board of Baldwin Locomotive, offered what seemed a new low in business when in mid-November he said in a speech that up to that time the company hadn't had a single order in 1932 for a new steam locomotive although he hastened to add that they'd repaired a lot of locomotives, many of which should have been scrapped.

Let's hope that Baldwin didn't have to make up many drummer's samples of their "new spring line."

More government

I OPEN my paper on the morning of Thursday, Dec. 8, and I read:

\$580,000,000 cut in budget; 2½ sales tax urged; deficit \$1,664,000,000.

\$40,000,000 loan averts default by New York City.

Federal Council of Churches wants social insurance against unemployment, sick-

ness, accident and old age want; social control of the economic process.

Farmers ask "a moratorium on mortgages, taxes and interest payments."

National Association of Mutual Savings Banks recommends that all forms of transport be regulated under the jurisdiction of a new government agency at Washington.

More and more government, and less and less money to pay for it.

The school of experience

THIS paragraph from the annual report of the Federal Farm Board attracted attention:

Experience with stabilization thus demonstrates that no measure for improving the price of farm products other than increasing the demand of consumers can be effective over a period of years unless it provides a more definite control of production than has been achieved so far.

One man who read it added to it this quotation from Poor Richard's Almanac:

"Experience keeps a dear school but fools will learn in no other."

The Radio decree

ONE of the biggest events of the month, the consent decree which dissolves the so-called Radio group, was virtually crowded off the front page and out of current discussion by war-debt and post-election considerations.

The radio split-up is worthy to rank with the greatest government triumphs in its antitrust campaign, but it is still anybody's guess whether anything constructive has been accomplished.

Briefly, General Electric and Westinghouse will within three months dispose of one-half of their holdings of common stock of the Radio Corporation of America by distribution to their stockholders; the balance will be distributed within three years. Meanwhile, both companies will cease to exercise voting rights in the stock. The \$17,938,733 floating indebtedness of Radio Corporation to the electrical companies will be discharged by transfer of the RCA building in New York and by issuance of \$4,255,000 of ten-year debentures to them.

The exclusive patent-licensing arrangement among the three companies is to be dissolved, with Radio Corporation retaining the rights to license other manufacturers under patents of any of the three principals. Radio's scope is enlarged to include the manufacture of transmitters and transmitting tubes.

Radio's financial position has been improved by the eliminations of its large floating indebtedness and its concentration of patents and licensing prerogatives, but stockholdings have been somewhat diluted by the issuance of 100,000 of class A preferred stock and the debentures. The climb back to profitable operations will be a tardy process.



THIS Bank has served American business for nearly a century, and numbers among its depositors many of the country's leading organizations. It affords to its commercial customers the advantages of ample resources, complete national and international facilities, and the service of experienced officers.

Guaranty Trust Company of New York

140 Broadway

FIFTH AVENUE at 44TH STREET

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LONDON

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ANTWERP

When writing to GUARANTY TRUST COMPANY OF NEW YORK please mention Nation's

Business

Just one way OUT



You can go out to CALIFORNIA . . . and back . . . by varied and various ways and means, of course. But there's really only **ONE** way out, if you know what we mean! **THE CHIEF** The fastest, finest, most exclusive train to CALIFORNIA . . . the train that has packed more pleasure into travel . . . and deeper, richer meaning into service. Ask any exacting, experienced globe-trotter.

Your Santa Fe ticket to California will take you through Phoenix. This winter there'll be a **Phoenix Pullman** three times a week and a **Grand Canyon Pullman** daily on

the CHIEF



The famous Fred Harvey Dining Cars on both the Chief and California Limited are AIR-CONDITIONED the year around. No smoke, no dust, no cinders.



Mail Coupon

W. J. Black, P. T. M., Santa Fe Sys. Lines
1128 Railway Exchange, Chicago, Ill.

Send folders, also "California and Arizona
Hotel Rates" booklet.

Name _____
Address _____

What Machines Have Done to Men

(Continued from page 23)

type had been reduced from 14 to 10. The wages increased 20 per cent. The death rate decreased 30 per cent.

A very unhealthy thing, this linotype machine!

Mr. Frederick Ecker's Metropolitan Life Insurance Company has just announced that there is among its industrial policy holders the lowest death rate in all history.

Abe Martin says somewhere in his collection of classical nonsense that "it is funny how a man with facts can break up an argument." This Metropolitan fact is just too bad for critics of the "deadly machine."

In this connection, it will be helpful to observe that approximately 90 per cent of the women confined in asylums of the southeastern states are for melancholia and come from the quietude of the farm—so beautifully written about by the poets, and where so few poets care to live.

Critics are just confused

OUR progress has produced "growing pains." Masses of men have confounded the natural adjustments of a rapidly developing technique based on science and the machine with an earlier technique based on handicrafts and have found fault with the newer tempo of life because it entertains different ideals and ways of living.

But the critics pile Ossa on Pelion. The machine has given us our factories. Factories have given us our cities. Cities have given us our business system, and our business system has given us our wealth.

It is no matter to the intelligentsia that all civilizations are city-made. All civilizations have been industrial. There is no other way for them to exist. They have differed only in degree and intensity and the variations in them have been determined almost entirely by the wants of men at a given time.

The quality and life of the culture produced has invariably depended upon the success of the commercial and industrial period and its duration. The greater the wealth produced in the period, the greater the contemporary culture.

Culture is always contemporaneous with the commercial and industrial expansion of any civilization. Periclean Athens was exactly contemporaneous with the period when Athens was trading with a thousand ports in the Mediterranean Basin. When she lost this trade, her culture went out the window.

The Golden Age of Roman literature

came exactly at the time when her commerce was farthest flung.

The Italian Renaissance was paid for with wealth created by the business men of Florence, Verona, Milan, Venice, Turin, and other such cities. These cities had learned the value of industrial arts and by converting raw materials into finished products and shipping them out to other parts of the world received in exchange a gold which made Italy glow with a cultural Renaissance which has been the envy and admiration of the world.

Culture follows business

THE Phoenicians sent caravans trading to the Orient. Incidentally, they brought back an alphabet and sent culture on its way a thousand years. Culture always follows business.

Business has been the forerunner of every great civilization which the world has known.

There is no danger that the machine will master the man. The man created the machine. He will be silly indeed to let it master him. The triumph of the material over the spiritual would be a tragedy.

We have traveled faster and gone farther toward providing the material comforts of life in a hundred years than the Old World did in forty centuries. Our very speed has brought us to the gates of a sparkling culture. The materialistic splendor of the background assures an original cultural pattern. It will be the best underwritten culture the world ever saw. The "deadly machine" is responsible for the background.

America is young. It is scarce 300 years since the Pilgrims landed here. We are still adolcescing. But what a soil, what a country, what a wealth to carry a new culture!

Machine is our slave

THE machine by freeing man from the forces of nature and giving him a command over his environment never before enjoyed has made it possible to maintain the essence of Western Civilization which is the mastery of environment, the bestowal of greater leisure, the democratization of the life processes and the freeing of all men for some creative, artistic achievement.

Oscar Wilde says, "The fact is, that civilization requires slaves. . . . Human slavery is wrong, insecure, and demoralizing. On mechanical slavery, on the slavery of the machine, the future of the world depends." Here is a poet with a sociological background. Here is real intelligentsiaism!

Let's End the Price Stampede

(Continued from page 29)

most of the hoarding of consumer buying power. Quality merchandise, however, need not be high priced. A ten cent article may be good quality if it is properly made and sold.

Basically, the National Quality Movement extends beyond merchandise. We must have quality in our advertising—true representation that will tell the consumer exactly the kind and value of merchandise offered; advertising that will actually aid the consumer in making selections. Consumer confidence is the quantity most lacking today and it is the first essential if we are to bring down the cost of advertising.

We must have quality in salesmanship—expert, helpful service that will save the consumer's time and help him select merchandise that will give satisfaction. We must have quality in accounting, quality in buying and quality in production.

The National Quality Movement is not a temporary expedient. It is a nation-wide, organized, intelligently planned, continuous movement having as its aim the production and distribution of good serviceable merchandise.

Helping Merchants

★ IN THE 1907 panic, when banks all over the country were hoarding all the gold they could get and sternly commanding business men to pay off their loans, Col. William A. Gaston, president of the Shawmut National Bank of Boston, wrote a letter whose inspiring influence was felt from coast to coast.

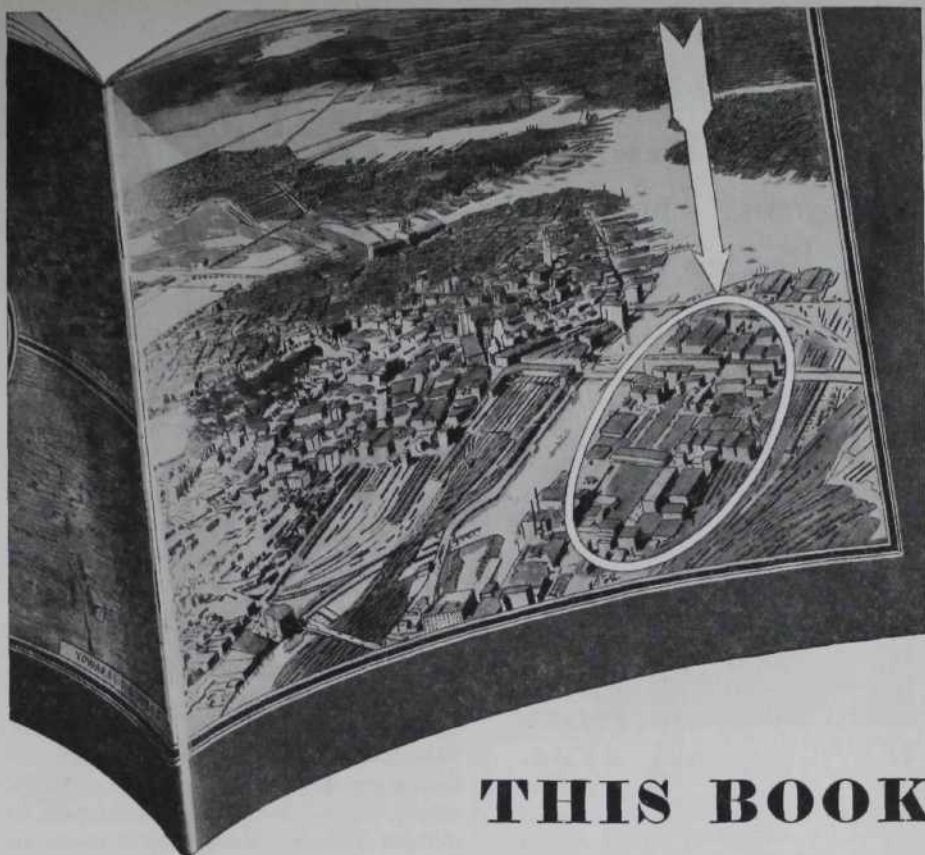
Sent to every bank with which the Shawmut National had had dealings, it said in part:

"Dear Sir: In such a period as we are now experiencing, it is important that the banks shall renew, so far as possible, the notes which may be maturing of merchants and manufacturers and others who are worthy of credit.

"In many cases, perfectly solvent business houses are unable either to borrow new money, to collect their receivables, or sell their merchandise. If they are forced unnecessarily by the banks to pay their notes, bankruptcy or receivership is sure to follow.

"... The fewer solvent merchants who are forced to pay their debts where it means hardship, the fewer the failures, and, consequently, the sooner confidence will be restored."

—J. H.



THIS BOOK points to more sales and larger profits in New England

Send now for this sixteen-page illustrated booklet which gives you the facts about the rich, compact New England market and the most profitable way in which to reach its eight million consumers.

If you are already distributing products in New England, there are facts here it will pay you to know. If you are planning to enter New England with your products, now or at any time, our booklet has valuable information for you.

Clip and mail the coupon.



BOSTON WHARF COMPANY

Industrial Service Department NBD
Boston Wharf Company, 259 Summer St., Boston, Mass.
Please send me booklet describing your property and its advantages.

CLIP THIS COUPON
FOR LARGER PROFITS

Name _____ Position _____

Company and Address _____

When writing to BOSTON WHARF COMPANY please mention Nation's Business

Shipments

Reach their Destination in Shortest Time when Routed Via Galveston



TRAFFIC moves swiftly at Galveston. An open port—ships move day or night and reach the open sea in the shortest time. The Port of Galveston is under unit control. All facilities are coordinated and operate as one unit. Central supervision of handling, storing and shipping eliminates waste. An ideal arrangement of rails and terminals . . . short hauls, one switch from yards to wharf. Route shipments "via Galveston" for speed and economy.



THE PHOTOGRAPHS: (Top) Interior of one of many modern shipside warehouses, concrete, sprinkler protected, fireproof. (Bottom) The Finest Waterfront Warehouse in the South. Protection against fire means low insurance rates. Speed in handling insures lower shipping costs.

Executives!

"The Shippers' Digest," quotes sailing dates, gives all shipping news in the Port of Galveston. Published semi-monthly. Free! Have our name placed on our mailing list. Write the Chamber of Commerce, Galveston, Texas.

Port of

AMERICAN GALVESTON

PORT OF QUICKEST DISPATCH

When writing please mention Nation's Business

What the Chamber Is Doing

(Continued from page 16)

ment Committee will analyze the activities of trade associations as aids to business management and as factors in the promotion of industry planning. It will discuss, among other questions, "What Can the U. S. Chamber of Commerce do further to aid the trade association movement?" The Department is working with trade associations to facilitate the adoption of statistical research, accounting and educational programs as a means of reducing costs and increasing business efficiency.

More favorable working hours

ADJUSTMENT in working hours in industry is having the attention of a Special Committee of the Department of Manufacture. This Committee is endeavoring to suggest general policies which should govern business men in making the necessary adjustments in industrial operations brought about by present conditions. As one of its activities, the Committee is participating in and giving assistance to the National Share-the-Work Movement.

The adoption of voluntary unemployment reserve plans by individual employers has been advocated by the Chamber. The Department of Manufacture is promoting this activity, and is now making a supplementary study of the status of state legislation on this subject.

On the subject of depreciated foreign currencies, the Foreign Commerce Department Committee has drawn up a report discussing the products affected by this depreciation and explaining how other countries have met the situation. The Chamber is working definitely to get support for requisite legislation to protect American industries now being injured by imports from depreciated currency countries. This legislation, in the Committee's opinion, should observe six definite principles:

1. The new legislation should apply to countries having currency depreciation amounting to 5 per cent or more from their par value or from some set value as mentioned later in No. 4.
2. There should be placed upon all imports dutiable, or free, except as mentioned in No. 5, a charge sufficient to compensate for the amount of this depreciation.
3. There should be adequate safeguards against the shipping of depreciated currency products through third countries, thus endeavoring to disguise their depreciated value.
4. In cases where there has been an appreciable increase in domestic wholesale prices and wage scales, in a depreciated currency country, authority should be given to our Treasury Department or our Tariff

Commission to declare, for customs purposes, a currency value varying from par by an amount equal to the influence which the increased domestic prices and wages may have had upon production costs.

5. The compensating exchange duties should not apply to products which are not produced in the United States in quantities of recognized commercial significance. In case there are articles which it has been the policy of Congress to exempt from duty irrespective of competitive conditions, such as certain articles for educational or religious institutions, etc., provision could be made in the bill accordingly.

6. *Ad valorem* duties on products from depreciated currency countries should apply, not to the depreciated currency value, but to the depreciated value plus the compensating charge referred to in Number 2.

Improving foreign trade

THE Foreign Commerce Department also is working with American Chambers of Commerce abroad and with organizations in the United States to facilitate as far as possible the removal of exchange restrictions.

It is cooperating with the Canadian Chamber in surveying the joint economic interests of the two countries and is giving considerable time to tariff work, indicating to the members of the Chamber methods by which they can meet the competition of foreign merchandise.

In connection with our export trade a complete list of new Canadian tariff preferences to United Kingdom goods under the Ottawa agreement has been sent to Chambers of Commerce having foreign trade departments.

In the field of transportation a special committee appointed is expected to report before or soon after this magazine goes to press.

Its report will deal with the general problem arising from the overdevelopment of transportation, desirable measures of regulation, a fair basis of taxation of the different forms of transportation and needed coordination of federal and state agencies dealing with transportation.

It will cover the relationship of railroads, highway transportation including buses and trucks and water transportation including coastwise and intercoastal shipping and transportation on inland waterways.

A fundamental purpose of the Chamber is to recommend measures which will enable each of these forms of transportation to develop so as best to serve the public without jeopardizing the performance of necessary service by the other forms.

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C This is one of a series of editorials written by leading advertising men on the general subject of advertising

References Required in 1933!

★ **LAST YEAR**, John W. Brown bought a suit. The price tag was very luring. But the suit wasn't very wearing. That's when Mr. Brown thought to look for the name of the maker. He found it. A name he'd never heard of.

Last year, Mr. Brown also bought a living room suite. Amazingly low priced. Indeed, Mr. Brown was so taken with the price that he took the suite. But his enthusiasm sank along with the cushions. The frame cracked and the fabric began to look run down. Whereupon Mr. Brown looked for the name of the maker. Found it. (After a search!) Never heard of him.

Last year, Mr. Brown's wife bought a fur coat. At a price that must have dismayed the mink. (or was it bunny?) Mrs. Brown shed a few tears as the coat shed its fur. Where had she bought this coat? Oh yes, at that little shop around the corner. She'd never heard of it before.

You can't blame Mr. and Mrs. Brown for looking first at names and then at prices in 1933, can you? They've learned the high cost of cheapness. And the low cost of quality. They've also learned that good names and good products usually go together.

Nationally-advertised products live in glass houses. They can't afford to be anything less than highest quality. There is too big an investment in their good names.

All of which makes a lot of makers of nationally-advertised products optimistic about 1933 . . . and more vigorously inclined than ever to keep their names known and their products respected.

RALPH H. JONES, *President*
The Ralph H. Jones Company

Save Lives Save Money, too!

CONSISTENT effort to prevent accidents pays double dividends. Every employer is interested on humanitarian grounds.

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A Business That Asked for Government Regulation . . .

In the February NATION'S BUSINESS, Leslie C. Harbison, President of the Household Finance Corporation tells how and why Government regulation came about in the Personal Finance business with the active consent and aid of leaders in the industry.

Now We Know What Business Thinks!



IN 1911, a United States Senator arose in his place and said: "I received a telegram this morning from the chamber of commerce in my city urging me to vote *against* the bill now before us, saying it would work a great hardship to the commerce of my state. This afternoon a telegram came from an association of business men in another part of the state, urging me to vote *for* the bill, declaring it would greatly benefit our state and region. What *does* business think?"

To answer the question, "What does business think?" President Taft and Secretary of Commerce and Labor Nagel, in 1912, invited business men and representatives of their organizations to come to Washington to work out a plan by which Government could get the advice and counsel of business.

Five hundred representatives of commercial organizations, trade associations, and business concerns responded to that invitation—and the Chamber of Commerce of the United States came into being.

TODAY . . .

The National Chamber is a federation of more than 1800 commercial organizations—including also as members more than 9,000 of the leading corporations, firms and individuals in the country. Through it Congress knows, and the country knows, what business thinks.

THE NATIONAL CHAMBER is a nation-wide organization. In this fact lies its strength. Glance at this list and see the many industries and many sections of the country represented by the National Chamber's Officers and Members of its Board of Directors:

HENRY I. HARRIMAN <i>Public Utility</i> Massachusetts	JESSE A. BLOCH <i>Tobacco</i> West Virginia	EVERETT G. GRIGGS <i>Lumber</i> Washington
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MATTHEW S. SLOAN New York	ASA G. BRIGGS <i>Lawyer</i> Minnesota	P. W. LITCHFIELD <i>Tire Manufacturer</i> Ohio
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CHAMBER OF COMMERCE OF THE UNITED STATES ★ Washington, D. C.



"Thar She Blows!"

Readiness . . . was the whaler's watchword. While he waited for his lookout's call of "Thar She Blows!" he spent his time sharpening his harpoons to razor keenness, so that when the call came he was ready for the kill.

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I really don't know
if I should smoke . . .

. . . but my brothers and my sweetheart smoke, and it does give me a lot of pleasure.

Women began to smoke, so they tell me, just about the time they began to vote, but that's hardly a reason for women smoking. I guess I just like to smoke, that's all.

It so happens that I smoke CHESTERFIELD. They seem to be milder and they have a very pleasing taste.



the Cigarette that's Milder

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